

JICA-JAPAN INTERNATIONAL COOPERATION AGENCY
JA-ZENCHU-CENTRAL UNION OF AGRICULTURAL COOPERATIVES-JAPAN
MINISTRY OF COOPERATIVES AND SMALL ENTERPRISES DEVELOPMENT
GOVERNMENT OF THE REPUBLIC OF INDONESIA

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STUDY ON
INTEGRATED DEVELOPMENT OF RURAL
COOPERATIVES-KUD
IN THE REPUBLIC OF INDONESIA
1996-1997

**ECONOMIC BUSINESS OF KUD
INCLUDING AGRO-PROCESSING SECTOR**

VOLUME I OF 2

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conducted by

Daman Prakash

Senior Technical Consultant of the Team

and

Director (Agricultural Cooperative Management

Training Project for Asia and the Pacific)

ICA Regional Office, New Delhi, India

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Prepared by

Daman Prakash
June 1998

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INTRODUCTORY COMMENTS

Report presentations
Technical Consultants



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Introductory Comments

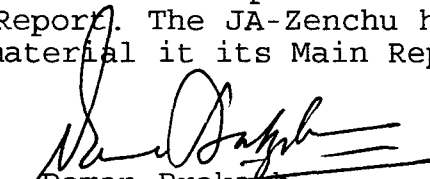
01 A comprehensive field study on **Integrated Development of Rural Cooperatives-KUD in the Republic of Indonesia** spread over two years - 1996 and 1997 - divided into three phases, was sponsored by the Japan International Cooperation Agency (JICA) of the Government of Japan at the request of the Government of the Republic of Indonesia in the Ministry of Cooperatives and Small Enterprises Development. The Study was carried out by the JA-Zenchu (the Central Union of agricultural Cooperatives of Japan) under a sub-contract arrangement with the JICA. The JA-Zenchu, in consultation with the Government of Indonesia had designed an **Inception Report - Project Document** - and fielded a number of technical experts to carry out the Study.

02 According to the Inception Report the **objectives of the Study are**: to clarify the roles of rural cooperatives-KUD in performing agricultural development (increasing added value and introduction of product-mix farm management); to reduce poverty in rural areas and to correct the difference in standard of living between the rural and urban areas based on the request of the Indonesian Government; to formulate future development strategies and a plan to activate KUD activities taking into account the local characteristics, locational conditions and farm patterns, and transfer of technology necessary for formulating the plan to the Indonesian national counterparts by means of on-the-job training throughout the Study.

03 I was invited by the JA-Zenchu, in consultation with and with the full understanding of my employer, the International Cooperative Alliance Regional Office for Asia and the Pacific (ICA ROAP), New Delhi, to serve on the Study Team as Senior Technical Consultant. Accordingly I served on the Study Team for nearly two years in all its three phases that were fielded in Indonesia during 1996 and 1997.

04 The subject areas assigned to me were: KUD Marketing and Purchasing Business, Agro-Processing activities and Farm Produce distribution. Other technical areas were assigned to other technical experts - nearly 12 of them - drawn from Japan and the United States/ACDI. The final version of the composite report has been prepared by the JA-Zenchu for submission to the JICA.

05 This documentation relates only to the work done by me on the subjects assigned to me. This material, in its present form, has been collected for purposes of records and references. It does not represent the entire and full Report of the Study - it is only a part of the Main Report. The JA-Zenchu has, however, made a liberal use of this material in its Main Report.



Daman Prakash
Director

ICA-Japan Agricultural Cooperative
Management Training Project for Asia
ICA Regional Office, New Delhi

June 1998

REPORT PRESENTATION

by Daman Prakash

- I. At JICA (Japan International Cooperation Agency),
Embassy of Japan and Department of Cooperatives, Jakarta

Introduction

01 The fields covered by me during Phase-II of the Study included: marketing and purchasing activities of KUD, PUSKUDs, farm-household survey and the commissioned survey of seven provinces. Three field visits to Lampung, West Java and West Nusa Tenggara were carried out which enabled me to study and analyze the working of 15 KUDs, three Puskuds, three provincial offices, 6 district offices, three Balatkops besides holding discussions with KUD leaders, managers, cooperative officials, trainers, extension workers and other field workers.

02 During the study visits I also had the good opportunity of holding discussions with senior officials of agricultural and livestock offices. The visits to the KUDs and meetings with field officials were a rewarding experience for me, as I was able to meet some of my old friends and colleagues. I had worked in Indonesia as the Chief Technical Advisor of the KUD Management Training Project of the ILO/UNDP for more than five years during 1981-1988.

03 The outlines of the Phase-II were very exhaustive and extensive which demanded a lot of attention and an in-depth study. Going through the material in Bahasa Indonesia, reports, studies and field documents enriched my understanding of the problems of KUD and the limitations under which these institutions try to serve their members. All these personal experiences are contributory factors to the valuable work that has been done during Phase-II of the Study. These first-hand experiences will also be of great value to me in my own work at the International Cooperative Alliance Regional Office, New Delhi, where I work as director of the agricultural cooperatives management training project, also supported by the Government of Japan in the Ministry of Agriculture, Forestry and Fisheries. Indonesia participates in our courses every year.

04 I appreciate very much the international composition of the Study team. This initiative of JA-Zenchu/JICA is highly appreciated by the ICA, the ILO and the UNDP here. All members of the team selected and fielded by the JA-Zenchu have rich experience and are well-versed in their respective fields.

05 I would now like to outline some of the main components of KUD business, problems faced by them in their marketing and purchasing business, the possible alternatives for development and an outline of a development plan for the activation of KUDs.

General Findings

Although we are making a presentation on West Java, I shall also touch on our findings from other provinces as well.

- 01 Presence of KUD in West Java is strong. They undertake a variety of business. There are good examples of success in the province especially in fertiliser supply, vegetable production and distribution, milk production, livestock development, dairy business and farm credit supplies;
- 02 In West Java we have also seen business relations developing between the KUD and private enterprises e.g., Indofood and milk processing industry. Some of the instances are KUD Pasir Jambu with Hero Supermarket, KUD Sarwa Mukti with some supermarkets in vegetable trade;
- 03 A large percentage of KUD marketing and purchasing business revolves around the government-supported programmes e.g., procurement and supply of rice, other food items e.g., wheat-flour, sugar, soybeans, and essential supplies like kerosene oil, distribution of fertiliser, farm credit supply, procurement of cloves, and sugarcane intensification. KUDs collect a commission or a service fee in handling these programme commodities;
- 04 Major sources of working capital of KUD have been the commissions and fees received by them. Some of the examples are: on handling fertiliser (an average of 62.1% of their total turnover in case of KUD in North Sumatra-the highest being 88% in respect of KUD Lau Simalen, 51.9% in Lampung-the highest being 79.3% in KUD Karya Maju, 49-52% in West Java-the highest being 89% in KUD Bayongbong, 39.7% in East Java-the highest being 100% in KUD Budi Makmur, 22.9% in NTB-the highest being 38.6% in KUD Karya Utan, 50.1% in South Kalimantan-the highest being 97% in KUD Tungtung Pandang, and 22.7% in South Sulawesi-the highest being 43.5% in KUD Sipatuwo); on handling rice business it was - 7.6% for North Sumatra, 25-30% for Lampung, very low in West Java, very low in East Java, 13.6% in NTB, 17.1% in South Kalimantan, and 75.8% in South Sulawesi; farm chemicals 3-11%, and Rubber business (27% in Lampung);
- 05 Commissions earned on handling telephone and electricity bills also form a good source of income for the KUD. This business is increasingly being undertaken/expanding;
- 06 KUD face an acute shortage of working capital to expand or start new business activities. This is because there are no suitable alternatives available to them. Credit from private banks is expensive and difficult to obtain due to complicated procedures. Internal capital with the KUD is very low to be used for credit. Private money-lenders charge high interest. KUD have no significant assets (except RMUs, warehouses and buildings) to serve as collateral to raise external funds;

- 07 Transactions between the KUDs and the members are highly cash-oriented. This is dangerous and risky from accounting point of view. Because the transactions are not routed through members' accounts, rate of savings in KUD by members is low.
- 08 Farm machines e.g., hand tractors and 4-wheel tractors are inadequate. The highest number is in respect of hand/power sprayers. Rice milling units, corn shellers, warehouses and transportation equipment are inadequate in number and low in capacity (typical instances are from Lampung and NTB - land tilling, transportation equipment, drying floors, repairs of RMUs and warehousing are in great need there). Almost all the drying floors in NTB are extensively damaged;
- 09 Except for milk there is no agro-processing activity in the cooperative sector (even in orange-growing province of Kalimantan no processing is done by the KUD. No KUD is reported to have undertaken any value-addition activity. The processing of coffee-beans by Puskud/KUD in South Sulawesi is also of a primary level. The GKSI has been a great contributory factor in milk business development and up-gradation of milk technology.
- 10 The Puskuds have been operating on their own without any significant business linkages with their affiliates. In fact, all the three tiers - KUD/Puskud/Inkud - float on their own strength. There are tendencies of secondary organisations even competing with their own affiliates. Their main business has been the transportation of fertiliser (65.3% of turnover in West Java, 41.3% in East Java), cloves (57.9% in North Sumatra, 95.8% in NTB, 63.4% in South Sulawesi), sugar distribution (13.9% in North Sumatra, 51.3% in Lampung, 12.7% in East Java, 3.2% in NTB, 28.2% in South Sulawesi). Puskuds of East Java, South Sulawesi and NTB are known to have their own processing units by themselves or through joint venture arrangements. Puskud South Sulawesi processes coffee and produces Markissa fruit concentrate, Puskud East Java operates cattle-feed units, and Puskud NTB distributes consumer goods in collaboration with a private company, PT Goro. Puskuds are not actively engaged in paddy/rice procurement business.
- 11 West Java Puskud's two rice mills in Karawang and Indramayu have been closed down, the shops in shopping centre in Pasar Induk Cipinang have been handed over to private operators, the Pelangi supermarket is closed because of renovations;
- 12 No KUD or the Puskud implements joint marketing, joint purchasing and joint-use facilities. Cattle-feed manufacture is highly individualistic resulting in high production and distribution costs. Vegetable procurement, handling and marketing is not institutionalized. Some KUD

in West Java, and North Sumatra had handled vegetables, but the business could not be sustained on account of lack of grading, packaging and transportation facilities, lack of management capacity and inadequate account settlement procedures.

- 13 Lack of marketing information, lack of marketing facilities, lack of ability to market the produce, inadequate purchasing facilities and supplies, are also some of the major problems faced by the KUD. The only market information source is the RRI - broadcasting market trends every day.
- 14 Sustainability of economic business of the KUD on their own in the absence of government-supported programme is very low because the concepts of joint marketing, joint purchasing, joint use facilities, joint capital, accounts settlement systems have neither been introduced nor understood. Puskud/Inkud's business policies often do not support the KUD business.
- 15 KUD purchasing business through waserda and TPK outlets is low (2.0% - 4.5%). They do not handle sale of farm machines, maintenance and servicing. Consumer goods range is low and facilities are inadequate. Puskud Hasanuddin in South Sulawesi has put up a good store;
- 16 No slaughtering or poultry processing is done in the KUD sector, except for a slaughter house operated by Inkud in Surabaya;
- 17 Accounting system adopted by KUD/Puskud are not uniform or standardized. Computerization has not been introduced except for some KUD in West Java, East Java;
- 18 Training opportunities for KUD managers are limited. Training opportunities at the KUD level are absent. Leadership is not keen in releasing their managers for long-term training programmes. Internal staff training is absent. Balatkops syllabus for managers training is inadequate. Members' orientation on business matters is absent. In-service staff training for the Movement (esp. KUD sector) is inadequate.
- 19 KUD do not have any credit plans of their own. In fact, the KUT programme proposed by the Department becomes the credit plan of the KUD.
- 20 KUD have not yet considered the possibility of using their warehouses (goods and commodities) as bonds/collateral for raising external funding.

KUD Activation Plans

In addition to supporting the business management development activities, it is proposed that certain key facilities are

enhanced/provided to generate additional business for KUD and KUD members. Some of these are:

- 01 Provision of working capital through internal/external sources on soft loans/no-interest basis;
- 02 Concepts of joint marketing, joint purchasing, joint use facilities, joint capital, are introduced;
- 03 Facilities like grading, packaging and primary processing of vegetables and local fruits, products are provided e.g., potatoes, tomatoes, oranges, meat products;
- 04 Milk cooling, primary processing, shipment facilities are increased;
- 05 Purchasing business e.g., farm machines, maintenance and servicing is introduced and enhanced;
- 06 Business information network be introduced;
- 07 All economic transactions between the KUD and KUD members be routed through members' accounts instead of handling cash in large volumes. Introduction of members' accounts and computerization is considered desirable;
- 08 Cattle-feed production and distribution is operated on a joint-use basis;
- 09 Livestock development, especially calves nurseries be introduced in some of the key provinces e.g., West Java, East Java, to promote KUD business;
- 10 KUD, Puskud, Inkud business linkages be strengthened besides promoting joint ventures with private industry.

DEBRIEFING

II. At ICA Regional Office, New Delhi

Introduction

01 At the request of the Government of Indonesia in the Ministry of Cooperatives and Small Enterprises Development (Directorate-General of Rural Development), the Government of Japan fielded a study mission through the JICA (Japan International Cooperation Agency) on producing a **Master Plan for an Integrated Development of Rural Cooperatives/KUD in the Republic of Indonesia**. The JICA assigned the study to the Central Union of Agricultural Cooperatives-Japan, JA-Zenchu. The JA-Zenchu developed an Inception Report (Project Document) which comprised the main aim, objectives, activities, inputs, outputs, personnel and time-frame. The Zenchu also constituted a team of international consultants, and fielded the mission in Indonesia

in February 1996.

02 The field Study formed a part of the **Umbrella Cooperation 5-Year Plan** of Indonesia-Japan, and covered 7 provinces and two districts e.g., North Sumatra, Lampung, West Java, East Java, NTB, South Kalimantan and South Sulawesi, the districts of Bandung in West Java and Sidrap in South Sulawesi.

03 The Study was carried out over a period of two years spread over three phases. The phases have been:

Phase-I

- The duration of Phase-I was February 11-March 25 1996;
- An overview of national social and economic situation, policies, programmes and current status with special reference to KUD;
- The report of Phase-I was prepared and submitted to the Government by JICA;
- The team of consultants consisted of Japanese, an American (from the ACDI), and myself (from the ICA ROAP).

Phase-II

- The duration of Phase-II was June 20-December 13 1996;
- An in-depth study of KUD in 7 provinces and two districts, Union of Indonesia Dairy Cooperatives (GKSI), the national federation of KUD (Inkud) and the provincial level federations of KUD (Puskuds);
- Study of farm households' socio-economic situation, KUD operational/business services, Agro-processing, quantum of farm products, distribution of farm products, expectations of members from their KUD, farm production including dairy development;
- Study of role of government cooperative offices at provincial and district levels, provincial cooperative training centres, national institute of cooperative management (IKOPIN);
- Identifying hampering factors (problem areas), possibilities for development, outlining directions for formulating a comprehensive Master Plan, covering all aspects of rural cooperatives e.g., management, organisation, member participation, business development, HRD, women's participation, farm inputs, farm production and distribution networking, farm machines, development of business and infrastructure conducive to expanding KUD business, and other relevant infrastructural potentials;
- The report of Phase-II was prepared by the team of

consultants and presented to the Government, JICA and the Japanese Embassy in Jakarta. The final report of Phase-II was prepared by JA- Zenchu and presented to JICA in Tokyo in June 1997.

Phase-III

- The duration of Phase-III was June 30-August 28 1997;
- The main objectives of the Phase-III were to produce a draft of a comprehensive Master Plan, with special focus on two selected districts - Bandung (in West Java) and Sidrap (in South Sulawesi). The Master Plan was eventually to become a Development Project which will go through a normal process of protocol before its implementation is decided. If everything goes according to the schedule and without much of interventions either from the Government or from the JICA, the implementation process is expected to commence some time in the later part of 1998;
- A team of consultants for Phase-III was identified by JA-Zenchu in consultation with the JICA.

04 At the request of the JA-Zenchu, duly supported by the IDACA, the ICA had agreed to second me to serve on the JICA Study Team. The JA Zenchu had agreed to reimburse my salaries etc. to the ICA for the duration of my association with the Study Team. Accordingly, I had served on the team for the following durations:

Phase-I February 11-March 26 1996;
Phase-II June 20-December 13 1996;
Phase-III June 30-August 28 1997.

05 Reports of Phase-I, Phase-II and Phase-III are still classified. A final draft report of the Study has already been prepared by the JA-Zenchu. The final report will be submitted to the JICA by JA-Zenchu after having taken into considerations the views to be expressed by the Government after June/July 1998.

Objectives of the Study

06 **Objectives of the Study** as given in the Inception Report are as follows:

"The objective of this Study is to clarify the roles of village cooperatives/KUD in performing agricultural development (increasing added value and introduction of complex management); to reduce poverty in rural areas and correct the difference in standard of living between rural and urban areas based on the request of the Indonesian Government; to formulate future development strategies and a plan to activate KUD activities taking into account local characteristics, local conditions and farming patterns; and transfer of technology necessary for formulating the plan to the Indonesian counterparts by means of on-the-job training throughout the Study."

07 The Study formed an integral component of the Japan-Indonesia Third Umbrella Cooperation 5-Year Plan, which has the following specific goals:

- i. Improvement of agricultural productivity, efficiency and sustainability;
- ii. Increase in agricultural production, quality improvement and diversification; and
- iii. Improvement of added values of agricultural products.

Operation and Management of the Study

08 **Operation and Management of Study:** The Study was carried out by a team of 11-12 experts drawn from various disciplines and nationalities. The Study experts represented fields like: organisation and management (Japanese), agricultural development (Japanese), financial management (Japanese and US), marketing, supply, farm machines and agro-processing (Indian/myself), education and training (Japanese), facility designing (Japanese), cost estimation, facility operations including identification of farm machines and equipment (Japanese).

09 The leaders of the team were: Managing Leader: Mr Midori Matsuhira and the Sub-Leader, Mr Toshio Shimizu.

10 All team members were assigned Indonesian Government national counterparts. The team was provided with a secretariat office room in the Department itself. The Director-General, Rural Cooperatives, was the national counterpart from the side of the Government of Indonesia.

11 The Study covered 7 provinces, two districts, 45 KUD, 420 farm households and a number of cooperative extension workers, KUD leaders, managers, women members and officials. The Study had the benefit of advice and technical assistance of several specialised institutions e.g., University of Indonesia, National Institute of Staff Training (LAN), Research and Development Agency of the Cooperative Ministry, Inkud, Dekopin and the GKSI. A number of former and present JICA consultants based in Indonesia were also consulted on technical issues.

12 The basic data was collected from various primary and secondary sources using specially designed field proforma, interviews, field visits, reference material published by the National Statistical Bureau (BPS), Ministries of Cooperatives and Agriculture, National/provincial Planning Boards, fertiliser production companies, BRI, Bukopin, IKOPIN etc. The data collected from the field through field surveys and experts visits/interviews was analysed, indexed and narrated. Computer formatting was done for documentation and reporting purposes.

13 This is an important Study which has been assigned to JA Zenchu by the JICA, and therefore, assumes a lot of significance in Indonesia as well as in Japan. The ICA has been gratefully

acknowledged by the JICA and the Government of Indonesia for having released me to work on the Study. Myself and an American were the only two non-Japanese experts who had worked on a JICA-funded project - the first time ever in the history of JICA, at least in the Indonesian context. The ICA gathers a lot of goodwill and credibility through this Study within the inner circles of JICA, MAFF-Japan and the Government of Indonesia.

14 The UN system in Indonesia especially the ILO, FAO and the UNDP have taken keen interest in the objectives of the Study and the initiative of the JICA in KUD sector. Myself and Mr Mark Steenwyk have been the contact points between the Study Team and the UN organisations. Both of us had worked in this field with ILO and the FAO respectively. The only KUD-related project which is currently in operation under the ILO in Central Java is funded by the UNDP.

Relevance to the ICA

15 **Relevance to the ICA.** Some immediate pointers emerging out of the Study can be the following:

- The Study by itself will deliver an excellent well-documented and well-researched resource material on KUD from various points of view e.g., socio-economic situation, business development, organisation and management, agro-processing, HRD, including women's participation in KUD activities, problem areas and possible potentials for KUD business development;
- My experience of working on the Study Team is of great value and relevance to the ICA-Japan Agricoops Management Training Project vis-a-vis MAFF, Zenchu, IDACA and the ICA. The material generated by the Study could be an excellent resource material to be used during our training courses and as a support material for the participants in preparing their project proposals. Even the whole material from the Study could serve as an excellent and authentic reference material;
- KUD business revolves around government-sponsored programmes e.g., distribution of fertiliser, food supplies, farm credit, and procurement of rice for the national food stock, and cloves business;
- Amalgamation of rural cooperatives is seen as necessary to make these institutions more viable, self-sustaining and member service-oriented. The government emphasises on 'KUD Mandiri and KUD Mandiri Inti' concept, which, in fact, is not only a step towards amalgamation of cooperatives but also towards weeding out the most inefficient and economically-weak ones;
- Farm credit supply is to be streamlined. KUD are short of working capital and external borrowings are expensive and consequently are inadequately used;

- Procurement of rice and other food items is diminishing because the government finds it easy to import food items to maintain national food stocks. KUD, therefore, receive less and less patronage from the government, resulting into shortage of working capital for them;
- Except for milk cooperatives other rural cooperatives are not performing financially well enough. Dairy cooperatives, including the GKSI lack funding for expanding/installing milk processing and transferring facilities including the production of cattle-feed;
- The Japanese government proposes to extend substantial support to the dairy cooperatives in the form of milk processing/transferring facilities, setting-up of cattle-feed plants and training of personnel including members (emphasis on involvement of women) besides developing dairy cattle breeding centres etc.;
- Business linkages among the KUD tiers are very poor. Inkud, Puskuds and the KUD operate on their own and often compete with each other;
- Serious shortage of HRD facilities and opportunities for KUD in respect of managers, sub-managers and board members. Member education opportunities offered by Dekopin are inadequate. In fact, the Dekopin structure from national to the primary level is very weak due to organisational and financial problems;
- Government cooperative training institutions e.g., Puslatpenkop/Balatkops/Pusdiklat are serving only the government officials (70-80%). The Ikopin and the Cooperative Academies (AKOPs) are the formal education institutions. In-service training opportunities for KUD are very poor. Management consultancy services are grossly inadequate;
- Government support to KUD is diminishing. Many subsidies have been withdrawn. Their current main earnings are from the commissions earned on distribution of fertiliser and procurement of cloves. KUD look for other avenues for funding and technical support. Main requirements are working capital, training facilities, processing equipment and other infrastructural assistance e.g., warehousing, rice milling units, farm machines, farm guidance and better living activities;

16 From the theme of Umbrella Cooperation Plan it appears that the Government of Japan would provide some soft loans through the Overseas Economic Cooperation Fund-Japan (OECF) and farm machines on government-to-government agreement basis.

17 It is obvious that the KUD development, especially the business development, needs the support of agencies like the ICA in association with other donor agencies in sectors like

management training, facilities development, soft loans for working capital and experiences on consumer distribution (through networking of waserdas - KUD retail shops).

TECHNICAL CONSULTANTS

Managing Leaders

- 01 Mr Midori Matsuhira (Japan)

Sub-Leaders

- 02 Mr Toshio Shimizu (Japan)

Senior Technical Consultants

- 03 Mr Daman Prakash (India-ICA)
KUD Marketing and Input Activation Plan
- 04 Mr Jiro Hashiguchi (Japan)
Agricultural Development & Post Harvest
- 05 Mr Takeshi Saito (Japan)
Analysis for KUD Processing Activity
- 06 Mr Mark Van Steenwyk (United States-ACDI)
KUD Credit/Savings Activation Plan
- 07 Mr Tetsuo Mizobe (Japan)
Evaluation on Business Activity
- 08 Mr Shigeri Fukamachi (Japan)
KUD Organisation and Management
- 09 Mr Riichiro Kitamura (Japan)
Facility Planning
- 10 Mr Gando (Japan)
Facility Planning
- 11 Mr Hiroshi Terunuma (Japan)
Human Resource Development & Women
(including Study Administration)
- 12 Prof Sudarsono Hardjosoekarto (Indonesia)
Indonesia Society and KUD Context

JICA-JAPAN INTERNATIONAL COOPERATION AGENCY
JA/ZENCHU-CENTRAL UNION OF AGRICULTURAL COOPERATIVES-JAPAN
MINISTRY OF COOPERATIVES AND SMALL ENTERPRISES DEVELOPMENT
GOVERNMENT OF THE REPUBLIC OF INDONESIA

STUDY ON INTEGRATED DEVELOPMENT OF RURAL COOPERATIVES-KUD
IN THE REPUBLIC OF INDONESIA 1996-1997

ECONOMIC BUSINESS OF KUD INCLUDING AGRO-PROCESSING SECTOR

EXECUTIVE SUMMARY
of the Report

NATIONAL REVIEW

EXECUTIVE SUMMARY OF THE REPORT

NATIONAL REVIEW

General Condition

The Republic of Indonesia with a large area of land and big population is endowed also with rich natural resources. In its economic development in recent years, the structural change has started towards modernisation including industrialisation with a lesser dependency on petrol products.

The year 1994 was the first year of both the second 25 years Development Programme (PJP-II) and Sixth 5-year National Economic Development Plan (REPELITA VI). The stage of economic development of Indonesia has been acknowledged to have shifted from the preparatory period of take-off stage to the viable development stage.

Along with the economic development as such, a share of agriculture in GDP decreases gradually, but majority of population still lives in rural areas where the largest employment opportunities exist and the agricultural output is the second largest to the manufacturing industry sector in GDP. In the foreseeable future, agriculture will remain to be the most important sector which should meet the requirement of the nation through quantitative increase as well as qualitative improvement.

The Sixth 5-year Development Plan (REPELITA VI) stipulated five important objectives to be achieved in agricultural development i.e., to ensure self-sufficiency food crops, to expand the employment opportunity and to improve the labour productivity in agricultural, to expand agricultural export, to improve and develop agriculture-related institutions, and to alleviate poverty. In order to achieve these objectives, the activities carried out and which should be carried out by KUD were emphasised.

The Government of Japan, recognising the importance attached to agricultural development in Indonesia, has decided to continue to extend "3rd Umbrella Cooperation" under which the current Study on "Integrated Development Project for Rural Cooperatives-KUD" is being conducted.

Thorough study will be conducted to clarify the issues involved in and ways and means to strengthen KUD, so that the Study, by all means, will contribute to the achievement of ultimate goals e.g., self-sufficiency of food crop, diversification of the agricultural production, and up-grading the quality of value-added farm products and increase in farm income and poverty alleviation.

Current KUD Condition Organisation and Management

Organisation

As of the end of December, 1995, there were 9,157 KUD with a membership of 13 million of which 21% were women members. KUD have contributed greatly to the achievement of self-reliance of rice supply through its business activities in cooperation with the government. The government is aiming at fostering of self-reliant KUD and has designated 5,590 KUD as KUD Mandiri as of December, 1995. The membership coverage ration of KUD to the village population is 10.8% and 62.8% against the number of farm households. It is necessary to increase its membership base.

The average size of the business operation area of KUD covers 8 desa (village) or 232 Km with a population of 23,000. A KUD covers a considerably large area and population. The membership eligibility is: individual person; Indonesian; dwelling in the area; adult; payment of initial fee; and non-communist. There are no regulations on sex or occupation.

The General Meeting is the supreme decision-making organisation of KUD and the Regular General Meeting is held once a year. The quorum of Board of Directors is less than 5 which is in charge of business execution. Daily business operation is carried out by a manager appointed by the BOD.

There are several sections established under the supervision of the manager. The average number of employees is 9.26. The establishment of the internal control system is difficult under the present situation.

The typical feature of KUD seen in the number of officials and employees is that 2.95 supervisors; 4.65 directors; 9.26 employees, and, totally there are 16.86 officials and employees. During 3 years period from 1990 to 1993, the number of employees increased by 0.94 (11.3%) per KUD. According to the KUD Census of 1993, the total number of employees was 57,953 of which 26.0% was female. (Based on the survey of 6,255 KUD).

Management Conditions

The surplus fund of KUD has steadily increased. However, it dipped in 1941 due to draught conditions. The average surplus fund of KUD in 1994 was Rp 6 million. Also, the business turnover of KUD in 1994 was Rp 536 million. As for procurement of fund, according to the KUD Census of 1993, the ratio of own capital was 42% of which 2/3 was reserve formed by accumulation of the surplus fund every year. The ratio of initial fee and compulsory saving was only 11.7% of the total own capital. The sources of procurement of fund other than own capital were current liabilities (36.7%) and long-term borrowed fund (21.3%). The proportion of voluntary saving which was included in current liabilities was only 4.2% of the total assets (total liabilities + own capital).

Human Resource Development of KUD

The present training facilities owned by the government and the cooperative sector are not able to facilitate a large number of the target group. Members' education is the responsibility mainly for KUD. However, KUD doesn't have enough fund to provide training of members. In response to the diversification of business and business expansion for KUD development, more opportunities for training of officials, employees and members have to be created.

Women in Cooperatives

There are 831 women's cooperatives with a membership of 302,006 as of 1995. However, their major activity is credit and it is not linked with KUD business. There are many activities to be undertaken by KUD with more women's participation. Some of more enterprising KUD have women's producers groups aiming at income increase by handling cash crops.

Supply and Marketing Business of KUD

Indonesia's KUD have gradually become major suppliers to the national food stock (BULOG) as also the important consumer good suppliers in rural areas. Major commodities handled are: rice, corn, soybeans, cloves, coffee, dairy and livestock, farm inputs and infrastructure like rice milling units, go downs. Major players in supply and marketing have been the KUD themselves, their PUSKUDs and the INKUD. Procurement of primary products is done by the KUD and supplied to the market through their federations or directly. Procurement prices of key crops e.g., rice cloves are fixed by the government. Federations conduct business independently and on indenting basis. Export is handled by federations. Fertiliser distribution to the farmers is through the KUD who lift the material from the producers' bulk distribution points which often delays supplies. The INKUD is a buffer stock-holder of cloves. Diversification of trading in various products has taken place in a limited way. INKUD has floated several companies as well as invested in joint venture enterprises. Dairy products and livestock availability has increase though the market share is still low.

Business federations still remain weak because business planning and coordination has not yet been effective. Absence of key economic development factors e.g. value addition, integrated approaches, easy credit supply and lack of coordination in farm input distribution have hampered KUD business growth. KUD have not yet adopted agricultural promotion planning, own farm guidance and better living activities. A large number of kiosks and TPK provide only the basis supplies and services although a strong potential exists to convert them into common use facilities. High overhead and operational cost continue to depress KUD business because of limited business conducted and their weak presence in the open market. Dairy cooperatives need expansion in processing and marketing. KUD lack a CI (Corporate Identity) to earn consumer satisfaction and loyalty.

Rural Credit Sector

The agri-based business of KUD, and their farmer-members, is highly dependent upon access to short, medium and long-term credit to finance growth. A number of credit programs have been developed and supported by Government to meet working capital and investment capital needs of farm production, small business and cooperatives in rural areas. The Farm Business Credit (KUT) and Small Retailers Credit (KCK) have been among the most responsive of these credit schemes in serving the needs of farmers and KUD. In spite of these credit programmes, most KUD and their farmer-members do not have adequate access to credit and financial services to support their business growth needs. For KUD and their members, this is two-part problem, brought about by both internal as well as external constraints. First, internally, KUD suffer from weak credit administrative capacity to manage credit for their own needs and the needs of their members. Most KUD have sufficient equity capital and are unable to demonstrate sufficient repayment capacity to qualify for convention lending.

Few KUD have diversified their business services or participated in internal capital building programmes, like savings and loan, to the extent necessary to support sustained capital growth.

Second, rural financial market growth in Indonesia has been slow and unable to keep pace with credit demand. Informal suppliers of credit have filled much of the gap. However, the cost of credit from these sources is often high, and is usually restricted to short-term credit needs, unable to meet the medium and long-term lending requirements needed to support business growth. Formal credit suppliers have also avoided lending to agriculture, viewing it as a high risk sector. The Bank Rakyat Indonesia (BRI) is the largest bank in the country providing finance to KUD and their farmer members. However, insufficient banking exists within the rural areas to serve effective credit demand,

Suggested General Directions for Improving KUD Activities

It would be most appropriate to define the general direction of KUD as to act an Agro-Based Industrial Cooperative. Agro-based means that more emphasis should be placed on processing, marketing of farm products based on its potential. Industrial means membership of KUD should not be restricted to farmers alone but all other village dwellers would be included and KUD activities should cover more wider area than a pure agricultural cooperative. In addition to that, the KUD and secondary/tertiary levels should strengthen mutual strong linkage with guidance, consulting and consigning to foster value-added and diversified business for their members' economic social benefit. Based on these concepts, and in the light of the study made during phase-I the following suggestions on the future direction of KUD development are made to achieve these objectives.

Directions of Business Development

-Marketing and Supply Activity

Consequent upon significant progress made in agricultural and industrial sectors besides registering an increase in per capita income and calorie intake, a change has taken place in the life-style of the community in rural and urban areas. Demands for better quality rice, milk, meat, fruits and vegetables, and cereals have risen. Besides reduction in farmland due to non-farm use, migration of active farmers to urban centres, especially in Java, has led the elders being left behind to look after farming, raising, need for farm mechanization. Although there would be increase in national population and agricultural production, percentage of rice consumption per capita is likely to reduce because of other food alternatives being adopted. KUD role as major rice suppliers to national food stock will continue to remain prominent although greater demands for fulfilling diversified economic needs and services to the community will increase significantly.

In response to meet future needs, KUD are expected to improve their business efficiency by becoming integrated economic centres in rural areas. Consequently, KUD have to undertake a variety of steps to improve their capacities and capabilities.

Suggested directions to enhance marketing and supply could be:

- Adopt "value-added" and diversified business strategies;
- Establish credibility through a Cooperative Identity (CI);
- Business federations to play economic leadership role;
- Achieve linkages with private and government sector enterprises;
- Develop and utilise common-use facilities;
- Undertake processing, packaging and distribution;
- Promote community related activities;
- Promote access to wholesale markets and financial institutions;
- Evolve farm guidance and better-living activities and establish relevant training facilities;
- Promote women's association and similar groups;
- Undertake local manufacture of farm inputs, tools and consumer goods;
- Establish reliable market information system;
- Waserda/Kiosks to be dynamic distribution channels;

- Take steps to remove legal obstacles and secure incentives;
- Convene a national convention to discuss KUD future directions.

Importance of Credit Access

In order to strengthen KUD business performance and improve KUD access to institutional credit the following recommended directions are made:

Strengthen Business Performance and Credit Administration for KUD and Their Member

- a. Diversify Business operations of KUD to increase the number of value-added profit centres;
- b. Increase internal capital formation within KUD;
- c. Strengthen credit administrative capability within KUD;
- d. Develop progressive credit policies and procedures;
- e. Improve coordination and functional relationships between KUD, PUSKUD, KT and credit supplies;
- f. Improve capital formation at the farmer group (KT) level;
- g. Encourage KT to play a more direct role in loan supervision, credit risk and repayment; and
- h. Intensify training programs to increase the level of credit awareness among borrowers.

Improve KUD and Farmer Access to Credit

- a. Strongly support efforts to expand and develop Rural Credit Cooperative Banks (KBPR);
- b. Improve formal Bank-to-Bank network linkages;
- c. Establish formal Bank linkages with progressive informal credit suppliers;
- d. Develop innovative credit delivery models;
- e. Introduce savings and loans functions within KUD; and
- f. Build-up internal Bank capacity and external resource linkages (PUSKUD, R&D Institutes, universities, private sectors) in areas relating to technical business promotion and cooperative administrative and operational management.

Organisation and Management of KUD

-The Directions of Organisation Management

- a. Establishment of the planning section for Development of Processing and Marketing Business;
- b. Strengthening of the Business Execution System by Adoption of Full-time Directors and Plural Number of Managers;
- c. Strengthening of Information System - Radio Telephone System is to be operated by KUD, KUD Bulletin to Distribute to all members;
- d. Encouragement of members participation through meetings, and by regular visit by employees.

Strengthening of Organisations by adoption of new business

- a. Increasing of voluntary savings;
- b. Mobil purchasing store (one-day KUD);
- c. Organising the better-living group (women's group);
- d. The increasing of share capital;
- e. The expansion of the small amount of loan and improvement of recovery of the loan;
- f. The dissemination of the cooperative insurance business;
- g. The consolidation of the audit system and the job-training of supervisors;
- h. Joint investment for processing facilities with federations and other KUD;
- i. The management of the joint-use facilities by additional share and commissions.

Establishment of Systematic Education/Training

- a. The Government's role to support education/training of KUD needs to be further increased;
- b. Establishment of a separate fund for training by KUD;
- c. Salaries are to be paid to commensurate with the capability of employees.

Enhancement of Women's Participation in KUD

- a. Establishment of section in-charge of women in KUD;
- b. Promotion of saving campaign by a group of women members;
- c. Promotion of kitchen garden activities;
- d. Promotion of study campaign;

- e. Establishment of joint purchasing group;
- f. Promotion of mutual insurance by women's groups;
- g. Establishment of agro-processing groups.

KUD Development in REPELITA VI

The statistics shows that until the fourth year of Repelita V, there were 8,749 KUD. Amongst these KUD, 4,140 were self-reliant (KUD Mandiri), existing in 2,705 districts. More than 20 million members are registered. In the Repelita VI, the development of KUD is aimed at strengthening some KUD and their members. To implement the program, several regulations were issued, i.e., the Presidential Instruction 17/1994, the Decision of Ministry of Cooperatives 63/KEP/M/IV/1994, and Instruction of Ministry of Cooperative and Promotion of Small Industry 01/INS/M/IV/1994, each of which is equipped with explanatory notes.

Three keywords in the Repelita VI in relation to the development of cooperative are noteworthy, i.e., (i) the development of cooperatives as sound business enterprises; (ii) the development of cooperatives as people's economic movement; and (iii) the development of cooperatives in all sector of the economy.

Qualitatively, the aim of KUD development is to:

1. Develop KUD into sound business enterprises in terms of access to market, capital, technology, organisation and business networking;
2. Expand the business base of KUD to cover every rural industry activity;
3. Promote the quality of KUD members.

Quantitative target of KUD development is to :

1. Upgrade 2,700 KUD into self-reliant KUD
2. Develop a core of 300 self-reliant KUD, with a minimum of 1 (one) self-reliant KUD in each district.
3. Maintain the sustainability of business activities conducted by 5,000 self-reliant KUD (2,300 existing KUD plus 2,700 new KUD mentioned in item 1 above).

The government operational policy on cooperatives and KUD is contained in the Letter of Director-General for the Promotion of Cooperative Institution 1101/PKS/VIII/1994, consisting of five items namely:

1. The improvement of market access and market share of all cooperatives;
2. The improvement of access to capital sources and capital structure;

3. The betterment of managerial skill;
4. The betterment of access to technology; and
5. The promotion of mutually beneficial business partnership.

Each of the above mentioned items is implemented in various development programme, namely:

1. The development programme for the improvement of market access and market shares, consisting of the following activities;
 - * improving promotional activities;
 - * provision of market information
 - * improving investment climate;
 - * business preservation (Pencadangan Usaha);
 - * just arrangement in the allocation of business risks;
 - * provision of business opportunities and facilities; and
 - * development of business networking.
2. The development programme for improvement of access to capital sources and the betterment of capital structure, consisting of the following activities:
 - * encouraging the participation of financial service sectors;
 - * improvement of the programme credit;
 - * improvement of the members' saving: and
 - * provision of capital analyst.

External Assistance to Make KUD as Self-Reliant Institutions in Indonesia - A Review

REPELITA and the Umbrella Cooperation

As stated earlier, both long-and-medium term development programme consist of the base for economic development in Indonesia. The Government of Japan has stated to extend the so called "The Umbrella Cooperation" since 1981. Following table shows the period covered by the Umbrella Cooperation and REPELITA. The first and second umbrella cooperation coincided with the period of REPELITA III, IV and V.

REPELITA	UMBRELLA COOPERATION
III 1979-1983	--
IV 1984-1988	First 1981 -1985
V 1989-1993	Second 1986-1990
VI 1994-1998	Third 1995-2000

It is widely recognised that the goal of self-sufficiency of rice in Indonesia was successfully achieved in 1984 when the Japanese

Cooperation efforts were intensified under the 1st Umbrella Cooperation, and, it is witnessed that the Second Umbrella Cooperation has contributed significantly to the increase in soybean production.

The target of the respective REPELITA up to fifth version regards mainly to the quantitative expansion of agricultural production especially, rice and food crops. This corresponds to the objectives stipulated in the two Umbrella Cooperation Projects.

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REPELITA and the Third Umbrella Cooperation

As agricultural sector under REPELITA VI, emphasis has been placed on the following subjects:

1. To up-keeping self-sufficiency of food in terms of quantity as well as quality depending on the new technology and funds;
2. To improve the efficiency of agricultural marketing depending on the market mechanism;
3. To promote agribusiness and agro-industry;
4. To pursue the objective to narrowing down the gap between the region and between rural and urban areas depending on the increment of farm income; and
5. To alleviate the poverty primarily prevailing in rural villages.

In this context, under the Third Umbrella Cooperation it aims at implementing a number of projects, which intends to ensure not only sufficient production but also quality improvement, value-adding and diversification in food crop production.

The Third Umbrella Cooperation

The term of "Umbrella Cooperation" has first been employed in 1981 with the objective to increasing rice production in Indonesia, one of the biggest recipients of Japanese ODA. The Second Umbrella Cooperation then followed with the objectives to increase production of main food crops through 1986 to 1991. In view of the most urgent and vital character of the issue i.e., an increase in rice production at that time, both Japanese and Indonesian Government agreed to challenge the issue in full and harmonious utilisation of various Japanese ODA's cooperation schemes consisting of technical cooperation, development studies, capital grant aid and loans by the Overseas Economic Cooperation Fund (OECF).

Past Umbrella Cooperation have achieved with success including self-sufficiency of rice and concluded in 1991. The Government of Indonesia in compliance with the objectives in REPELITA VI, has requested Japanese cooperation in the form of the Umbrella Cooperation. The formula title is "The Third Umbrella Cooperation for Integrated Agricultural and Rural Development in the Republic of Indonesia".

Characteristics of the Third Umbrella Cooperation

The REPELITA VI was started in April 1994, in the agricultural sector. Much emphasis has been put on an increase in farm income-cum-poverty alleviation in addition to the expansion of production of rice and other major crops. Accordingly, the Third Umbrella Cooperation taking due consideration on this change, emphasis was placed on the same direction stipulated in REPELITA VI. In order to achieve this objective, it is necessary to implement a variety of projects including an improvement of productivity of agriculture production and the quality of products, an increase in value-added effort to the products and crop diversification.

As the scope of the Third Umbrella Cooperation has broadened, the number of concerned Ministry and Department has also increased i.e., BAPPENAS, Ministry of Agriculture, Ministry of Cooperatives and Small Enterprise Development, Ministry of Public Works and Ministry of Transmigration and Forest Squatters Resettlement.

The Third Umbrella Cooperation and the Development of KUD

As the Third Umbrella Cooperation began its sphere some institutional developments are expected comparing to the contents in last two Cooperation. It is described hereunder the niche of KUD development in the Third Umbrella Cooperation. Since as much as 70-80% of total population live in rural area, and majority of them are engaging in agriculture, an increase in income of farmer will by all means contribute to alleviate poor to the great extent. In order to reach the ultimate goal to increase income will be attained by strengthening of farmers organisation which ensure the benefit and amplify the bargaining power to farmers. In this context, development and strengthening of the activities of agricultural cooperatives has been focused by the Third Umbrella Cooperation more than ever.

In the Third Umbrella Cooperation, the following 8 components (or objectives) have been stressed:

1. Human resources and system development of central and local government to improve planning and administrative capabilities;
2. Improvement of capability in research to support development of appropriate production technologies;

3. Development of agricultural extension system in order to improve farm management and promote diversification in agricultural production;
4. Development of irrigation and drainage facilities and improvement of water resources management system;
5. Development of system for effective promotion of agricultural credits;
6. Development and strengthening of the activities of farmers' organisations;
7. Development of post-harvest activities including handling, processing and marketing agricultural products to improve and add value to farm products; and
8. Improvement of rural infrastructure.

Among these objectives, the fifth and sixth objectives related directly to the development and strengthening of agricultural cooperatives under the responsibility of Ministry of Cooperative and Small Enterprise Development. The Department of Rural Cooperative Development is the lead agency supported by the concerned departments in the Ministry of Agriculture as the related agencies.

Attention might be drawn to following points:

1. Lead agency for the major activities on development and strengthening of farmers' group in the sixth objective is assigned to the Agency for Agricultural Education and Training in cooperation with the related Directorate-General of Rural Cooperative Development (DGRCD);
2. Lead agency for post-harvest development activities i.e., the seventh objective is designated to the Department and Agency under the Ministry of Agriculture in cooperation with the related Department of Rural Cooperative Development.

The Relationship between the Current Study and the Study on the Third Umbrella Cooperation for Integrated Agricultural and Rural Development

The Japan International Cooperation Agency (JICA) has decided to conduct a study on formulating a master plan for the Third Umbrella Cooperation in accordance with the Record of Discussions on the Third Umbrella Cooperation for Integrated Agriculture and Rural Development.

The objective of the study is stipulated as follows:

In order to achieve the ultimate goal i.e., improvement of the living standard of farmers, taking full account of targets and components of activities described in the

agreed Record of Discussions, the Study will prepare an integrated master plan which proposes priority projects and recommended an implementations schedule for overall Umbrella Cooperation.

Since all these studies are being carried out under the Third Umbrella Cooperation, close cooperation among the responsible agencies which are conducting the studies are expected in order to reflect the results of respective studies.

Need for External Assistance

By virtue of Article 33 of the 1945 Constitution of Indonesia, the Government is committed to the development and promotion of the Cooperative Movement. After the enactment of the Law and Basic Regulations for Cooperatives No. 12 of 1967, the Government has been promoting Village Unit Cooperative (KUD - Koperasi Unit Desa). The emphasis has continued to be laid through successive Presidential Instructions (INPRES) issued from time to time e.g. INPRES 4/1973, INPRES 2/1978 and the currently in operation, the INPRES 4/1984. The revised Cooperative Law 25 of 1992 continues to stress the development of cooperatives in the country.

The objectives of promotion of KUD, according to INPRES 4/1984 were to: stabilise and making the KUD self sufficient; and to strengthen the KUD to be service-centres in rural community economic order being an integral part of the national development. In all the National Economic Development Plans (REPELITAS) special emphasis has been laid on the development of cooperatives in general, and particularly, on the importance of strengthening the KUD "to become self-reliant economic units as based on improved professional capacity, business performance and increased member participation".

Cooperative form an integral and vital part of each National Economic Development Plan. In 1969 when the first plan was announced, agriculture was the economic mainstay of the country. Each successive plan encouraged agricultural production. In 1984 Indonesia became self-reliant in rice, a turning point in the history. The KUD had played a very significant role in achieving this self-sufficiency. They were successful in maintaining price stability of unhulled rice and in organising farmers to increase their production, besides providing them with the needed farm inputs, credit and guidance.

The KUD had come into existence in 1973 based on a pilot project, the BUD (Village Unit Enterprises) in Yogyakarta in 1971. Because of the success of this experiment, the BUUDs were transformed into KUD, primary level multipurpose rural cooperative business units. The BUUDS were retained as advising and guidance organisations to the KUD making them multipurpose, strengthen their position in the rural community. They become important institutions in the rural areas and strong links between the government and the rural communities. The farmers, tenant-farmers and the small traders, both men and women, rallied around these institutions to look for credit, farm inputs and general

services. The KUD were also seen as important contributing channels to the national food stocks.

Through the Presidential instructions, clarifications on collaboration between the various Ministries as well as direct guidance to be given to the management and members of KUD were given. It was emphasised that KUD were the grassroots level, rural multipurpose cooperatives, Their members are mainly the farmers. These cooperatives conduct business with their federations at the provincial and national level e.g., with PUSKUD and INKUD. The KUD receive credit farm inputs, and other services from various sources.

In accordance with the INPRES No.11/1981, for instance, the Government endeavoured to improve rice post-harvest facilities for KUD through financing from domestic and foreign sources. The purpose and essence of the INPRES was to make the KUD to play better role to carry out activities in the agriculture sector to supply food for the National Food Stock. Such activities were, *inter alia*, distribution of fertiliser, pesticides, and improvement of rice quality through the mechanisation of pre-and-post-harvest equipment. With the complete pre-and-post-harvest equipment of KUD it was expected to become the centre of economic activities in the rural areas.

Cooperative development holds the objective of making cooperative as the main vehicles for the development of economic activities and the promotion of welfare of the people belonging to the economically weak group through intensification and supervision activities aimed at improving the capability of the members to manager their organisation, to raise and mobilise funds, to carry out their enterprises and to exercise internal control.

The Government supports and strengthens cooperatives with the emphasis on the rural sector in respect of the following:

- i. Business operations, marketing and infrastructure;
- ii. Management, manpower development and member participation;
- iii. Integration of cooperatives in the sphere of national economy.

A Description of External Support to the Management of Rural Cooperatives (KUD)

With a view to help strengthen the organisational and management functions of KUD to make them self reliant and self sustaining, and to enhance member participation a number of technical assistance programs offered by the OECF, UNDP, ILO, FAO and other external agencies were implemented with varying specific objectives, durations, area coverage and technical inputs. Some of the more prominent have been the following:

Overseas Economic Cooperation Fund-OECF/Japan

Agriculture Development Project (ADP): The Agriculture Development Project (ADP) began in 1993 with funding support supplied by the Overseas Economic Cooperation Fund of Japan (OECF). This three-year project is a joint undertaking between OECF and the Government of Indonesia (GOI). GOI implementing agencies under the ADP are the Ministry of Agriculture and the Ministry of Public works. Under the project, OECF has committed to provide credit funding of Japanese Yen, 6,718 million and a total funding to a level of Japanese Yen 7,904 million.

The ADP has four basic components:

- i. Land Development: This component, under the Ministry of Public Works, involves improvements to irrigation systems in rice producing areas of nine provinces located in transmigration areas. Due to modifications in candidate areas under the project, this component has not yet been implemented. Eventually, 12,000 hectares of irrigation development is scheduled under this component;
- ii. Construction and Rehabilitation of Farm Roads: This component of the project involves new construction and rehabilitation of 900 km of farm roads in six provinces;
- iii. Construction of Group Processing Centres (GPC): This component of the project involves the development of 1,175 Group Processing Centres in coconut producing areas of ten provinces; and
- iv. Assistance for Food Crops Development: This component, under the Ministry of Agriculture, focuses on small-scale crop production development for the following crops: rubber, coffee, cashewnut and coconut. The component targets 12,000 ha. located in fourteen provinces.

The Rural Credit Development Project (RCDP)

The Rural Credit Development Project (RCDP) was developed, in draft, in 1992 as the result of the Special Assistance for Project Formulation (SAPROF) study, as agreed between the Ministry of Cooperatives (MOC) and OECF. This effort followed an OECF Fact Finding Mission in 1991, and earlier work conducted by the Overseas Agricultural Development Association (OADA) in 1990 in response to GOI requests.

Agreement between the GOI and OECF for the implementation of the RCDP has not yet been reached. Under the project design, the Directorate-General of Cooperative Business Promotion, MOC would serve as the executing agency. The project envisions a five-year implementation period with project funding from OECF at a level of Japanese Yen 1,424 million.

The primary objectives of the project are: (i) To assist KUD in enhancing their business capabilities, and hence, fulfilling the

self-reliance in their cooperative activities and management; and, (ii) To assist the farmers in developing profitable production schemes through self-reliant KUD, and thus, in improving their level as well as their living standards.

Targets for achievements under the project include:

- * Establishment of the "Project Implementation Unit (PIU)" in line with the administration of MOC;
- * Organisation of the "Advisory Committee" at each administration level, i.e., the national, provincial and district level;
- * Appointment and institutional reinforcement of a handling bank;
- * Training of working staff of the PIU, handling bank as well as KUD staff and leader-farmers of farmer groups (Kelompok Tani) in management and technical fields with respect to loan relending services; and
- * Promotion of loan relending schemes in pilot areas, with 30-40 projects scheduled for the funding under the first phase of the project. Priorities for sub-loan projects are agro-based production, processing and marketing business activities of KUD, farmer-groups and secondary and tertiary-level cooperatives in the sub-sectors of food crops, vegetables, fruits, other cash crops, livestock, forestry and fishery.

Given delays in reaching bilateral agreement for implementing the RCDP, OECF and the MOA recognise that certain elements of the project, as originally designed may require modification, including more detailed criteria for eligible project selection and funding levels. If these modification can be accomplished in the near future, OECF believes that the project can move forward for implementation, beginning in 1998.

Specific areas for further detailed clarification include:

1. KUD Fund Management

- Management of funds borrowed from intermediary banks (manageability of sub-loans to farmers);
- Capability of checking farmers' request, applying funds request to intermediary bank and managing reimbursement from farmers;
- Monitoring system of KUD fund management; and
- Current situation of rural credit activities conducted by KUD.

2. Needs for and Levels of Funds
 - For which activities (KUD activities and farmers' activities) funds are required? categorisation of eligible activities; and
 - Maximum and minimum amount of a sub-loan to farmers.
3. Capability of Intermediary Bank
 - Experience and manageability of lending to KUD;
 - Condition of sub-loan (interest rate and period); and
 - Security.
4. Clarification of the roles of the concerned bodies: MOCSED, KUD, Intermediary Bank, Bank Indonesia, etc.
5. TOR of consulting services to support implementation and supervision of the Project.

**OECD Agro-Economic Study:
KUD Business Development**

The OECD Japan Agro-economic study through Project Implementation in KUD Business Development in Indonesia (IP.268) 1984-1992 was aimed at improving and encouraging KUD as the centre of economic activities and to increase its role to provide pre-and-post harvest services in the rural areas with a view to make them stable, strong and reliable organisations, increasing food production because of reduction of post-harvest losses, and to improve the quality of rice needed for the market and national food-stock. The project created warehousing capacities, drying floors and kiosks facilities for the KUD.

Through the United Nations System

ILO-UNDP Project on Cooperative Training and Development (INS72-040), two years from December 1972 onwards focused on "setting-up training centre within the Department of Cooperative" resulting into an initial development of new organisation, management, accounting and control systems of KUD.

The ILO-UNDP Project on Cooperative Development and Training (INS-75-003) started with one-year preparatory phase in October 1975 and completed in March 1980. The project aimed at "development of cooperative management, education and training programs to evaluation and improvement of cooperative business as well as all aspects of cooperative operational activities".

The ILO-UNDP (INS-78-068) project on Cooperative Training, a 2-years project commencing in 1981, aimed at "developing and supporting the cooperative training structure, mainly the PUSLATPENKOP and two provincial BALATKOP in the establishment of permanent training capacity for KUD and other cooperative

personnel. The project assisted the government in the training of trainers for BALATKOP, developing curriculum, syllabus and training material, designing basic concept for cooperative training policy, management consultancy for KUD, implementation of KUD member education, cooperative library and documentation services and production of training materials. The project helped to support the creation of "Model KUD". The project worked closely with the British ODA Project in Semarang (Central Java) also dealing with the same subject area.

An institutional development programme. The main target was to train the "key members" to help increase the number of model KUD and the KUD Mandiri. Accordingly, the ILO-Swiss Project (INS-84-MO3-DDA) on "management training and member participation for KUD" was implemented from 1985 until 1988 aiming at "strengthened Cooperative Movement i.e., the KUD economically self-reliant and able to provide sufficient and adequate services to their members and to give quantitatively increasing contribution to the economically weak sector of the rural community and to the growth of national economy". The main emphasis was on the development of management consultants and training and education of key member to further support the KUD Mandiri programmes. A large number of CMC Consultants were trained. Many of them were subsequently absorbed by the KUD and other cooperative institutions.

The ILO assistance with the support of the Swiss Government continued for another three years (1990-1993) under the title "Management Consultancy and Training for Cooperatives, KUD and Women's Groups in Indonesia".

The current 2-year ILO/UNDP Project (INS-93-024) "Strengthening Self-Reliant of the KUD Structure", started in May, 1995, covers 30 KUD in Central Java. The development objective of the project is "enable the KUD-structure of the Cooperative Movement, as a multi-level people-centered business enterprises to produce the services required by its members and making a significant contribution to the national economy". The project ultimately aims to develop Central Java into a cooperative "Centre of Excellence".

The FAO/UNDP Project on "Rural/Primary Cooperative Development" during the period 1978-1985 concentrated on "Strengthening the capabilities and skill of the government staff and PPK personnel to better serve the needs of the KUD members and achieve higher productivity and value-added efficiency in business enterprises growth based on self-help, particularly aiming at assisting the poorer section of rural communities". The Project concentrated on a selected district in West Java.

Income-Generating Project for Marginal Farmers and Landless (P4K), INS/88/034/I/01/99. This is a five-year project, which began in August 1989 with the Executing Agency being GOI and the Implementing Agency being the MOA. Under the project, UNDP is providing US\$2.29 million, the GOI US\$1.18 million, and IFAD US\$ 1.94 million, for a total project funding of US\$ 5.41 million.

The project is a follow-on project, supporting the GOI's Income-Generation Programme for Small Farmers (Proyek Peningkatan Pendapatan Petani Kecil or "PAK") implemented by the Agency for Agricultural Education and Training (AAET) of the MOA. The P4K program is aimed at improving the welfare of the small farmer through income generation strategies and provision of micro credit through the Small Farmer Groups (SFG). P4K has made significant achievements such as: it is operational in over 2,000 villages, more than 33,000 SFG formed with at least ten members each; 38 percent of these are women's groups. US\$ 17 million has been disbursed as credit to more than 23,800 SFG; and credit arrears are below 2%.

Specific objectives of the project include: i) Raising the income of the rural population whose earnings are below the poverty level by developing grass-roots small farmer groups (SFG) whose members are encouraged to initiate a range of income generating activities, both far and off-farm; and ii) Enhancing the capabilities of the Agency of Agricultural Education and Training (AAET), so that this agency will be able to manage and replicate the expansion of the approach developed into a national programme.

Other Donor-Assisted Programmes

In addition to the UN-supported technical assistance programme, there have been several other programmed assisted by various donor agencies e.g.,

- i. CCD (Centre Cooperative Denmark) programmes include DEMAP (Dairy Extension Management Project), CMEC (Cooperative Member Education and Communication), and ISIMS (Institutional Strengthening for improvement of Member Services) aiming at improving the economic conditions of members of KUD and milk cooperatives, member education and business development in some selected areas of the country;
- ii. CIDA-CCA assistance to the DEKOPIN, under the INCODAP (Indonesian Cooperative Development Assistance Programme) covering credit unions, dairy and insurance mainly focusing on member driven cooperatives, business development of cooperatives, income generating, activities for woman, participation of women in the management of cooperatives, enhancing savings opportunity and environment related issues;
- iii. The Swiss Development Cooperation had funded a KUD-related project in Lombok (NTB) for a duration of 6 years (1980-85) aiming at strengthening the business activities of the KUD and relating them to the activities of the PUSKUD;
- iv. Through the JICA, technical assistance in the development of business of KUD, especially in farm machinery, farm guidance and post-harvest technology was extended through the Department of Cooperatives.

General Observations

The assistance from the UN and other donor agencies concentrated mainly on the development of organisational and management aspects of KUD although strong efforts were also made to improve the capabilities and capacities of human resources both within the Department and the KUD structure. Provision of management consultancy was highlighted. Capacities and capabilities of training and development institutions were developed and member education activities including the extension activities of the Cooperative Movement itself were further expanded. Programmes also aimed at enhancing the participation of women in the management of KUD.

In view of the above, there are still several missing links which need attention. These could be the following:

- i. Strengthening the economic base of the KUD through the development of business relation with the PUSKUD and the INKUD;
- ii. Strengthening the operational efficiency of PUSKUD by enhancing their capacities to provide;
- iii. The INKUD to foster and promote the concept of "value-addition through agro-processing" to ensure higher returns to farmer-members at the KUD level;
- iv. The INKUD to act as confident spokesman for the entire KUD network, and ensure timely marketing and supply opportunities to the KUD and PUSKUD;
- v. Development and propagation of Management Information System within the KUD structure, to be provided by the INKUD and PUSKUD;
- vi. INKUD to promote export of agro-based commodities including the products of members i.e., handicrafts through bilateral agreements with foreign buyers; and
- vii. Intensive training and development opportunities for the managers and policy-makers in decision-making to be provided by the INKUD and PUSKUD.

Post-Harvest Technology Training Centre

Since Indonesia successfully achieved self-sufficiency in rice production in 1984, there was a growing demand for increasing milling capacity as well as improving the quality of milled rice. To meet the demand, the Government of Japan has supplied post-harvest equipment including almost 1800 units of rice milling machines under OECF loans and KR-II (Kennedy Round Programme) capital grant aid. Then some new issues come up as urgent matters to be solved. That is to train and strengthen manpower of KUD where rice milling units are installed in order to improve managerial as well as technical ability of staff. Under such

circumstances, the Government of Indonesia decided to request the Government to get a technology training centre which would meet an urgent requirement at this stage, under the capital grant aid, a scheme of Japanese ODA.

Main objectives are as follows:

- i) Training the trainees, staff of KUD and management;
- ii) Establishment of technical/management procedure of producing uniform and quality white rice for existing rice milling unit;
- iii) Identification of quality for various grade of which, practicable under present circumstances;
- iv) Demonstration of proper paddy collection/drying/storage milling/marketing process and training of existing rice milling units (operated mainly by KUD); and
- v) Improvement of technical and managerial practices of existing rice milling units operated by KUD and BULOG

Post-Harvest Technology Training Centre under the Ministry of Cooperative has begun activities at Gerbang Cibitung, Bekasi.

Marketing of Rice and KUD

Rice is considered by far the most important staple food for Indonesia. One of the most important functions of KUD, through diversifying its function in these days, is to collect paddy from farmer and to sell rice to BULOG. In 1993, some 32.7 million tons of rice (in terms of milled rice) were produced and per capita rice consumption per year would be 173 kg (import figures not being taken into account).

In 1992 KUD collected around 1.9 million tons or some 19% of marketed rice and the same years DOLOG's procurement of rice reached to 1.8 million tons or about 95% of KUD's rice. The total number of rice mills counts around 7,400 units out of which 2,800 rice milling units belong to KUD and their capacity may come to 1.6 million tons of rice, or around 5% of total production.

ANALYSIS AND EVALUATION OF KUD Organisation and Management of KUD

Present Organisational Establishment of KUD

KUD (Village Unit Cooperatives) are cooperatives established in farming villages which handle the following major business:

- i) Collection, processing and marketing of commodities produced by members or produced within a local community;
- ii) Providing services such as loans based on needs of members;

iii) Supply and delivery of daily necessities, production facilities and raw materials.

Presently, such activities of KUD are based on Presidential Instruction No 4 of 1984. However, the business operational area of the KUD is limited within a framing village. Their members are mostly farmers and the major cooperative business is also related to agriculture.

As of December, 1995, KUD number 9,157 covering almost all farming villages (Desa), except several Kabupaten (districts).

Eligibility to be a Member of a KUD

Looking at membership eligibility, in KUD, all adult dwellers of the operational area of the KUD are basically qualified to be members without any discrimination of sex and occupation. Anyone, who has paid Initial Fee or has deposited money in the KUD as "Compulsory Saving", regarded by the KUD as the capital necessary for maintenance and development of management, can be a member of the KUD. It is an organisation where membership is limited to a category or occupation such as the farmers. However, in the case where a member fails to pay the compulsory saving to the KUD, though he is accepted as a member to use the business of the KUD his rights in general membership meetings concerning speech, decision-making, suffrage and run for election are to be suspended until he pays his compulsory savings obligations.

The members enjoy a discount price for purchasing goods from the KUD. This is an incentive for members to patronise the business of KUD. As of December 1994, the total membership of KUD in the country was 13 million or 1,440 members per KUD. The ratio of women member was about 21%.

Eligibility for membership

- * Individual person;
- * Nationality should be Indonesian;
- * Dwelling in the operational area of KUD;
- * Adult;
- * To pay initial fee;
- * Non communist;

Eligibility for members shall be stipulated in the by-law of the KUD; When application to be a member is approved by the board, KUD gives member's registration number and member's hand book to a new member; Person who paid a part of the initial fee is enrolled as a candidate member who has a willingness to be a full member in the near future.

Indonesian's Achievement of Self-Reliance in Rice Production and KUD activities

In the Republic of Indonesia, since its emergence as an independent nation, cooperative development policy was the basis for the national economic development. The KUD was established

as a multi-purpose cooperative to be operated within a rural community, succeeding the function of the earlier cooperative structure, BUUD. KUD have developed as a major institution for boosting food production by receiving various governmental assistance such as privileges for supplying fertiliser, agricultural chemicals, procurement of rice for BULOG (National Logistic Agency) and advancement of loans by the Peoples Bank of Indonesia (BRI) to support production and supplement the shortage of funding needs of KUD. Self-reliance of rice supply has been the paramount goal of the nation. Since the emergence of the BIMAS programme (programme for boosting food production), the government has placed major emphasis on agricultural policy, directed towards increasing food production. These efforts resulted in meeting basic consumption targets in 1984. The business activities of the KUD in response to the demand of the government to achieve self-reliance of rice supply have contributed greatly to the achievement of this objective. Such government programmed activities have facilitated stabilisation of KUD's management.

Presidential Instruction Number 4 of 1984 laid emphasis on the following:

- a. Supply of fertiliser and agricultural chemical is to be promoted by KUD in cooperation with farmer's groups (kelompok tani);
- b. Supply of farm inputs to the area where a KUD has not been established is to be done by KUD adjoining the area;
- c. In the area where a KUD is not capable to supply farm inputs, a private company is to be in-charge.

(Note: Delivery of farm inputs is done by a state enterprise at the provincial level directly to the KUD.

The Self-Reliant KUD

The government has established four classifications of KUD according the degree of self-reliance: A,B,C and BDK (Candidate KUD as self-reliant KUD but not yet satisfying total eligibility). The KUD census of 1993 based on a total of 6,225 KUD which responded, indicates the number of KUD under the classification system: 4,404 KUD for A; 1,261 for B; 254 for C; and 260 for BDK out of the total of 6,255 KUD which responded. The KUD which participated in the census implies full-fledged KUD and an increase in the number and the proportion of those KUD suggests that general self-control capability of KUD nationwide is improved.

Especially, the increase of the number of class A KUD which satisfies all 13 standards for Mandiri, indicates that management of the KUD was improved in general. On the other hand, some 30% of the KUD surveyed were unable to respond to the survey, and, some 10% were classified as (class C of BDK) rudimentary KUD, needing further improvement of their management.

The classification of the KUD was initiated in 1978 using a points system: 7-10 points is class A, 5-6 points is class B, and 1-4 points is class C. Others are also recognised as KUD without classification. This standard for classification is not adopted at present. Currently as of 1996, KUD are classified by a new standard as mentioned below. This standard has been amended to suit the current situation.

Class A KUD are further classified into three sub-classes, more specifically. It is determined by 13 criteria concerning business performance and financial condition. These 13 criteria were revised in 1991. Presently, the criteria are as mentioned below according to the Ministry of Cooperatives and Small Enterprises

Criteria for classification of KUD

A-1 KUD Mandiri

Since 1989, the government has endeavoured to establish self-reliant KUD and designated as Mandiri, which means KUD competent for rationalised management of 3 major businesses (marketing, supply and credit) responding to the needs of local residents. To be designated as a KUD Mandiri has a great significance for KUD because only Mandiri and candidate Mandiri can directly deal with fertiliser and pesticide with state enterprises.

As a procedure for application to be Mandiri, a KUD needs an audit certificate issued by the audit service cooperative or authorised public accountant indicating that its management conditions concur with the criteria.

To be competent to develop three types of business, to satisfy all 13 criteria of Mandiri or better than that level. The business criteria is given below:

- * Consecutive growth in business volume, supported by its member and local people;
- * Repayment of borrowing is not delayed from the due date by augmentation of own capital, competent to augment and develop own capital;
- * Competent to provide constantly highly qualitative and quantitative commodities service through improvement of technology utilisation;
- * Adequate surplus fund is created to enable proper business management of cooperative as a result of efficient use of expenses through enhancement of proper organisation management capability;
- * KUD through efficient organisation management, enable business access to state enterprise (BUMN) and private enterprises as well as between cooperatives.

**A-2 Candidate Mandiri
(Those Not Yet approved as Mandiri)**

Competent to develop 3 types of business and satisfies 13 criteria of Mandiri. The business criteria is given below:

- * Both programmed and non-programmed business turnover are stable. However, there are many non-members and local residents in the operational area of KUD;
- * Own capital is insufficient, though capable to repay borrowing but there is a limitation of the volume of transaction;
- * Technology utilisation is improved, quantitative and qualitative commodities on service is gradually provided;
- * Proper business administration is conducted but not sufficient for effective use of expenses as a result, adequate surplus fund is not created; and
- * With the improvement of business operation, own capital and administrative organisation, there is a sign of progress in business transaction.

**A-3 Non-candidate Mandiri
(A class but not yet reached
the level of Candidate Mandiri)**

Not competent to develop 3 types of business. Not all of 13 criteria of Mandiri are satisfied. The business criteria is given below:

- * Business turnover is unstable, shortage of number of members and staff;
- * Insufficient own capital, incapable for repayment of borrowing by due date, shortage of capability for operation and procurement of fund;
- * Technically difficult to use high technology, inadequate service and production of qualitative, quantitative commodities is insufficient;
- * Incompetent in administration of organisation and business, efficient use of expenses is not realised, surplus is unstable; and
- * Due to short-coming of business operation, own capital and business administration capability, there is no development of business transaction.

[Reference: Candidate Mandiri KUD: KUD which does not satisfy criteria to be qualified as Mandiri. Operation of 3 types of business is fluctuated. Source: Re capitulated from "PEDHAM DALAM REPELITA VI" MOCSED].

The 13 Criteria for Self-Reliant KUD/KUD Mandiri

1. *Membership covers more than 25% of adult population of potential members.*
2. *Service to members covers more than 60% of total business turnover.*
3. *Annual general members meeting is held for 3 consecutive years based on the Ministry's guidance (within 6 months after the end of fiscal year).*
4. *Board of directors and board of supervisors are elected by members, the composition of the board of directors should be a maximum of 5, and 3 for supervisors. Also, managers and employees are employees by KUD.*
5. *Own capital should be more than Rp 25 million. (Amount of donation money should be below 60% or less than Rs. 15 million, except dearth area, transmigration area and donation by cash.*
6. *Financial statement and the content of auditors report are to be an unqualified opinion.*
7. *Deviation of business plan and achievement should be below 20% for negative and 50% for positive. Financial ratio (Rentability, liquidity, solvability) satisfy the standard.*
8. *Financial ratio (Rentability, Liquidity, Solvability) satisfy the standards.*
9. *Business turnover per member per annum should be more than Rp 250.000.*
10. *Gross revenue is exceeding the amount of gross expenditure.*
11. *Sound Management of all appropriate facilities owned by KUD.*
12. *No manipulation by the management to incur loss to KUD.*
13. *No uncollected or debt.*

The government also designate core KUD (KUD Mandiri Inti) to play the role of institutional research study for neighbouring KUD as a model. As of December, 1995, the number of KUD Mandiri Inti has reached 305 KUD. Each Kabupaten or Municipality is regulated to designate one KUD Mandiri Inti which implies that all of 243 Kabupaten and 60 Municipalities have already one KUD respectively.

SUPPLY AND MARKETING BUSINESS OF KUD

Under the Presidential Instruction No 4/1973, the main business of rural cooperatives (KUD) was basically rice-based. Since then,

the cooperative promotion in the country may be grouped into two distinct schemes, a KUD scheme and a general scheme. In the former, the government was predominant in initiating business programme for the KUD, while in the other, the initiative came from the cooperative themselves. The presidential Instruction 2/1978 encouraged the BUUD/KUD to undertake various economic activities in the rural areas. Their business activities were no longer limited to rice-based but transformed into rural and agricultural based with predominantly rice. The Presidential Instruction 4/1984 emphasised the participatory role and responsibility of the rural community for its own development-social and economic. In this background the KUD continued to participate in national food stock maintained by the BULOG. In addition to this, the KUD continued to diversify their economic activities. It was realised that economic activities led them to self-reliance and as the logical centres of economic development of the rural community. The KUD continued to occupy an important place in all the National Economic Development Plans (REPELITA).

The fifth REPELITA marked the closing stage of the first 25 year Development Plan of 1969-1994. In line with the stage of national development, the cooperative development in the fifth plan has been directed towards the achievement of full-fledged self-reliant cooperatives. The concept of self-reliant cooperatives is the condition in which cooperatives have three basic qualities:

- i) Managerial competence in utilising available resources and opportunities;
- ii) Capability of cooperative in enhancing members productivity and increasing "value-addition" in optimizing the available resources; and
- iii) Ability to motivate the people to join the Cooperative Movement with a better sense of belonging.

These three basic qualities will promote the existence of cooperatives, particularly the KUD, to become full-fledged self-reliant economic entities.

Growth of Business Volume of Cooperatives

Business activities of cooperatives, especially the KUD, were largely confined to the distribution of agricultural inputs and processing and marketing of farm produce during REPELITA-I and REPELITA-II. During the REPELITA-III period, however, business items allowed for KUD were expanded to cover all economic activities in the rural areas. This development is also reflected in the data, where significant business development took place during REPELITA-IV over REPELITA-III. The REPELITA achieved a total business turnover of Rp. 10,195 billion against Rp 61,513 million of REPELITA-I, an increase of 21,493.8%.

Similarly there has been a significant increase in the net surplus of KUD. During the year 1973-74 the SHU of all KUD was

Rp. 1,194.0 million, in the 1988-89 it rose to Rp. 39,528.4 million and in the 1991-92 it was reported to be Rp. 133,575.0 million.

Besides handling a variety of credit programmes for various commodities, and creating the needed infrastructure for handling economic activities, the KUD have created assets for themselves too. On an average, a KUD had assets worth Rp. 122,313,250 in the year 1989, which rose to Rp. 150,563,870 during 1990.

Principal Activities Undertaken by KUD

Java representing only 7% of Indonesia's total land areas, contains just under half of the country's estimated 14.2 million hectare of arable land. Though this is declining at a rate of 16,000 ha per year, as industrial estates, housing, highway and golf courses flourish, government efforts to intensify production have met with significant success. The world's largest rice importer in the late 1970s, Indonesia had since achieved virtual self-sufficiency though severe draughts did make imports necessary in 1991. Java alone produces at least 60% of the rice harvest. Trade in a number of commodities such as wheat, soybeans, rice, sugar remains under direct government control, as does the import of fresh fruits, vegetables and processed food.

Although the KUD handle a very wide range of farm produce and provide a variety of services, some of the key business activities (procurement and supply functions) have been the following:

- Rice
- Corn
- Cloves
- Coffee and Cocoa
- Vanilla
- Palm Oil
- Coconut and Rubber
- Milk and Livestock
- Fruits and Vegetables
- Farm input e.g., fertiliser, pesticides and insecticides, farm machinery, farm guidance
- Infrastructure development e.g., warehouse, rice milling machines, post-harvest activities
- credit
- Community development and family welfare.

KUD remain the principal channels of procurement of rice for the national food-stock. Besides growing rice for local consumption of the farm members, and for disposal in the open market, the farmers are obliged to supply rice to their KUD for onward supply to the BULOG.

The BULOG (the national logistic agency) has been established by the government mainly to ensure the constant supply of essential food items by maintaining a national food buffer stock,

especially Rice, Wheat, Soybean, Sugar. The BULOG procures the designated commodities from within and outside Indonesia and helps to maintain the price line of these commodities. The BULOG maintains a string of warehouses of 3.5 million tons capacity. The procurement and distribution of commodities takes place through its regional offices, called the DOLOG. A bulk of procurement of key commodities takes place through the KUD. The KUD supply the required commodities at a fixed price - floor price determined by the government from season to season.

The mechanism of floor price ensures: i) Assured economic returns to the farmers; ii) price stabilisation; and iii) A constant inflow of commodities to the national buffer stocks.

The BULOG also imports certain commodities if the domestic supplies are inadequate due to some reason or the other. The BULOG, assisted by the KUD, buys from the farmers all the rice that is needed to keep prices falling below the official floor prices. It presently (1994-95) buys medium quality rice from KUD at Rp. 738/kg and from others at Rp 730 kg. The government has set the prices of harvest dried unhusked rice at Rp. 330/kg, storage dried unhusked rice at Rp.385/kg, and unhusked rice (fit for milling) at Rp 450/kg.

With a view to enable the KUD to continue to supply good quality rice and in good quantity to the BULOG in time, the KUD have been provided with several infrastructure facilities e.g., rice milling units, dryers warehouses and, in some case, even the transport vehicles. KUD are regarded as strong contributory factors to ensure food security for the country. A close relationship, therefore, has been developed between the BULOG and the KUD.

In 1973-74, the number of KUD that participated in supplying rice was 1,558 and by 1992 the number increased by 51.7% (2,364). Given below is a description of the role played by the KUD in rice procurement and supply as a sample for the year 1983-84, 1990-91 and 1993-94.

- i. 1983-84. The total national production of paddy/rice was 22,864,438 tons. The total purchased by the BULOG was 2,014 tons or 9.20% of the national production. Some 2,078 KUD across the country purchased a total of 2,050,925 tons from the farmer-members. 2,193 KUD supplied a total of 1,968,921 tons of rice to BULOG (almost 97.76% of the total purchased by the BULOG). The highest number of KUD (557) supplying 377,972 tons were from East Java. From outside Java the 198 KUD from South Sulawesi supplied a total of 79,747 tons. This was the highest procurement from outside Java. The lowest procurement was from one KUD in Central Kalimantan supplying 21 tons.
- ii. 1990-91. This year registered an increase in the national production of paddy/rice -29,951,750 tons. The total purchase by the BULOG was 2,516,306 tons. A total of 2,093,569 tons about 7.21% of the national production, was

purchased by 2,357 KUD. 2,131 KUD supplied a total of 2,051,245 tons of rice, 81.52% of the total BULOG purchase, to the BULOG. The highest number of KUD (437) from Central Java contributed 163,875 tons to the national food stock. Outside Java the highest contributor was again South Sulawesi, a total of 96,035 tons from 167 KUD. The lowest was from one KUD in Maluku, supplying 19 tons.

- iii. 1993-94. (figures up to December 1993) witnessed another increase in the national production -30,290,000 tons. The BULOG purchased a total of 1,929,234 tons. 5.9% of the national production was purchased by 2,258 KUD 1,789,963 tons, 1,989 KUD contributed a total of 1,662,951 tons of rice which is about 86.20% of the total purchases of BULOG to 776,960 tons by 522 KUD from East Java 220 KUD from South Sulawesi contributed the highest amount 177,280 tons, from outside Java. The lowest contribution was 42.50 tons by one KUD in West Kalimantan.

The above description goes to confirm that the KUD and majority of them from within Java, have contributed the most to the national food stock.

Role of Credit and Related Infrastructure in Rice Business of KUD

In order to maintain a steady supply of rice to the national food stocks, the KUD have been able to establish some infrastructure, and maintain credit supply for the member-farmers. A brief description of the credit given to the KUD for purchase of rice is given below - samples of 1983-84 and 1990-92.

- i. 1983-84: A sum of Rp. 225,990.75 million was given to 2,287 KUD. The largest number of KUD (612) from East Java received Rp. 99.045 million. The lowest was Rp. 1.60 million received by one KUD in East Kalimantan. Outside Java 200 KUD in South Sulawesi received Rp. 18,971.96 million.
- ii. 1990-91: 2,153 KUD received Rp. 448,534.97 million. The highest number of KUD from East Java, 512, received Rp. 172,381.22 million. Outside Java, South Sulawesi, received Rp. 54,047.36 million for 239 KUD. The lowest was Timor-Timur, which received Rp. 139,000 for 3 KUD

Infrastructure Facilities

Because of their deep involvement in the procurement and processing of paddy, the KUD own and operate dryers, rice milling units and warehouses of varying capacities. At the end of 1995, the position was as follows:

7,712 Warehouses	5,724 of 30 ton capacity
	1,232 of 130 ton capacity
	216 of 1,000 ton capacity

2,792 RMUs	1 of 1 ton/hour capacity 1,600 One pass 0.5 ton capacity and others of varying capacities
1,858 Dryers	

During the 1984, the KUD owned 42 tractors while during 1990 the number went up to 64. There were 5 KUD which owned and operated automobile/farm machinery workshops. These were one each in Aceh, West Java, East Java and South Sulawesi.

Marketing and Supply Activities

Fertiliser is one of the important inputs in agricultural production and so it is considered as a strategic commodity. Since the introduction of BIMAS Programme. KUD have been assigned to handle fertiliser distribution. The number of KUD distributing fertiliser in 1992 were 2,829, distributing 5.6 million tons of material. An average distribution of pesticides and insecticides was recorded at 1.5 million litres per planting season. During 1988-89 out of the total national distribution of fertiliser of 5,21 million tons, the 2,322 KUD distributed 57% of the total national distribution (2,97 million tons) Again during 1993 94 the total national distribution was 5.25 million tons, out of which 76% i.e 3.99 million tons was distributed by 3,174 KUD. The INKUD has, most recently (February, 1996) sought to distribute the chemical fertilisers through KUD network instead of the fertiliser company holding the distribution network. The INKUD has sought a loan of Rp. 300 billion to install its own bulk distribution channels. At present there is no fertiliser production facility within the cooperative sector. The entire production is done by the government owned companies.

East Java was the highest consumer. Outside Java South Sulawesi was the largest consumer of farm chemicals and fertilisers.

The KUD, with a view to provide farm-related services e.g fertilisers, farm chemicals, seeds, have set up KUD service locations - TPK. These are small holdings units which store farm inputs and from where farm-related services are carried out. In addition to this, the KUD also run small consumer stores, called WASERDA (kiosks). There were in all 4,920 godown and 31,693 TPKs run by 6,061 KUD, out of a total of 9,111 KUD. The supplies of these WASERDA is not centralised. The KUD are comparatively free to obtain their supplies from the grocers or manufactures directly. The total capital of these kiosks and TPKs was Rp. 79,441 million, KUD own share of this was Rp. 35,606 million.

KUD participation in BULOG's soybeans procurement occurred only during 1979-80 to 1982-83. During 1992, a total of 21,493 tons was purchased by the KUD from its members and supplied 14,907 tons (69%) to the open market while the remaining 31% was sold to the BULOG. In recent years this commodity is being distributed among the members of the KUD direct. The commodity is being distributed is allowed to be imported by the users. There are a number of single-purpose cooperatives, called the KOPTI, which

handle and process as well as market soybeans.

Cloves: Clove is an important commodity, which remains in constant high demand. The major buyers are the clove cigarette manufacturers. They consume almost 50% of the national clove production. During the year 1980, 113 KUD supplied a total of 13,707 tons of cloves worth Rp. 2.6 billion. At the end of 1992, as much as 702 KUD supplied 116,535 tons of cloves worth Rp. 28.2 billion. Because of the new marketing arrangements installed by the government since 1990 which abolished the auction system, the KUD have been supplying their produce to the PUSKUD and to the INKUD. The BPPC, agency created in 1993 became the central clove trading agency together with the INKUD. The government in that year also completely turned over the supply of cloves from KUD to INKUD and PUSKUD. The new payment arrangements followed by the BPPC contributed significantly to the capital of the INKUD as well as the PUSKUD. The additional funds thus generated enabled the INKUD to buy sufficient quantities of cloves and maintain a buffer stock. The payment system appears to be complicated and needs significant to the advantage of the basic farmer producer.

Sugar: In 1981-82 the number of KUD active in the sugarcane programme was 404. During the year 1991-92, the KUD supplying sugarcane rose to 646. The supply of sugarcane also increased from 1,063,946 tons in 1981 to 1.6 million tons in 1991-92. At present there are no sugar factories in the cooperative sector. Farmers supply their sugarcane to the state owned sugar factories. During the year 1981-82 the sugar cane farmers received Rp. 5.4 billion from the sugar factories. The amount went up to Rp. 8 billion during 1991-92.

Fruits and vegetables marketing is another important business activity which is carried out by a large number of KUD. A majority of KUD in Java supply fruits and vegetables to the local market and through their own shops. There is still no systematic handling, processing and packing arrangement. In some cases, KUD have contracted with some of the leading chain stores in the capital city of Jakarta to maintain a regular supply of vegetables. Some of the KUD in North Sumatra, through the PUSKUD entered into agreement with importers in Malaysia and Singapore for the export of vegetables, beginning 1989. The business continues, though on a small scale. Two examples, one from West Kalimantan and the other from Irian Jaya, for the period 1992-1995.

Dairying and Livestock Development: In the sector of Dairying and Livestock Development, many of the KUD operate milk units which work in close collaboration with the Union of Indonesian Dairy Cooperatives (GKSI). Many of the KUD operate milk collection centres, milk chilling centres but no processing units/processing plants. Several of the KUD also operate dairy cattle feed processing units mainly to cater to the needs of their farmer-members. KUD also assist their member-farmers in purchase of beef cattle for development/ fattening by way of negotiations and credit. The concentration of milk units is within the KUD in West Java, Central Java, East Java and Yogyakarta.

General Business Activities of KUD: The marketing and supply business of KUD covers a wide spectrum. There is plenty of raw material within the cooperative sector, but there is a great lack of "value addition through agro-processing". Because of this, the farmer-members remain deprived of additional income. KUD supply and market other farm products and general services such as: tea leaves, fruits and vegetables, raw silk, poultry, spices, coconut/copra, rubber, rattan furniture manufacture, handicraft material, carpentry, coal mining, printing presses, fuel oil distribution, etc. Several of the KUD collect and pay their electricity bills for a small charge. The KUD have gradually become economic centres in the rural community. Moving towards the "value addition" concept would make them more attractive and be contributory factors for the economic upliftment of the rural community of Indonesia. The potential is great.

KUD can efficiently conduct their business by forming a smaller business federation as has been done in Klaten with the partnership of NCBA/USA. The PUSPETA-Klaten produces quality furniture for exports. It also deals in Vanilla and Coffee. It has its own manufacturing and processing units.

Farm Guidance/Farm Extension: Farm guidance and farm extension services are provided by the KUD to their farmer members with the help of farm/ agricultural extension officers of the government. Agricultural Extension Officers have been assigned by the government (in the Ministry of Agriculture) to assist the farmers in various farm practices e.g. better and balanced fertiliser application, soil and water testing, land resource and irrigation management, care and development of simple farm tools, application of farm chemicals, all with a view to enhance farm productivity. Since the target group for the agricultural extension officers is the farmer, and the KUD consequently serve as the logical and organised units through which these services are provided. KUD often invite them for advice and assistance. The district level cooperative officials coordinate the farm extension services for the KUD, although many of the KUD have an easy to access to the farm extension officials. The farm extension officers are spread throughout the country.

The number of farm extension workers has gone down during 1994, apparently due to two obvious reasons: i) budgetary considerations; and ii) the task of farm guidance is gradually being transferred to the Kelompok Tani (the farmers's groups).

In addition to the farm extension officers (PPL), the Ministry of Cooperatives has introduced service called the PKL (Cooperative Extension Workers) since 1994-95. The main objective of this service is to provide farm and economic advisory services to the KUD. The government employed PKL are supported by volunteer workers. All of them receive 3-6 months training and are assigned to KUD and put under the charge of the provincial offices. Their strength was :

1994-95	504 Government PKL
	180 Volunteers

1995-96 25 Government PK1
 703 Volunteers

Total 1,412

Better-Living Activities: Better-living and family welfare services are provided to the members of the KUD with the help of Government family planning workers and other community development officials. Because of the nature of the KUD as grouping of farmers and the rural community available at the village level, it is logical that the family planning officials operate through them in the rural areas. In the same way, the KUD have often organised community welfare related activities in other sector e.g., child-care, mother-care, immunisation programmes, adult education, home improvement schemes and safe drinking water programmes.

The KUD have also been found, though on a small scale, to be providing to their members, electricity bills payment services, goods transport vehicles, telephone kiosks and general workshops for the repair of home appliances including those of motor cycle etc. Some of the KUD have assisted the farmer-members in arranging life and general insurance through the Cooperative Insurance Organisation. Some of the KUD in Lampung, South Sulawesi and NTB have reportedly tried to develop diesel power generation for the needs of the rural population.

Some Limitations

The KUD structure is wide and broad. The KUD are found in all locations in the country. The central direction to the KUD emanates from the Central Government by virtue of the Presidential Instruction No 4/1984. Although there exist the secondary level federations of the KUD e.g. the PUSKUD and the INKUD, their role in business linkages remain very thin and weak. Although in theory all the three levels of the KUD are democratically and logically interconnected, all the three tier still remain isolated without any vertical and horizontal integration among them. Business activities are carried out by the individual institutions on strictly individual basis. The business relations between the INKUD and the KUD are based on the central government requirements e.g. especially in the context of procurement of cloves or coffee. There is some evidence of working relations on business aspects between the KUD and the PUSKUD but that too largely depends on the indenting of orders from the national federation or on the orders received by the PUSKUD directly.

Indonesia is blessed with very fertile land and high agricultural potentials. Some of the world's most precious commodities are grown in the country. KUD are involved in farming and cultivation of cash crops like Palm Oil, Rubber, Vanilla, Coconut etc. There is, however, almost a total absence of any "value-addition through agro-processing" activities e.g., Palm oil refineries, coffee processing, fruits and vegetables processing, except in some isolated cases.

Keeping in view of the vast nature of network of KUD, and their closeness to the rural people, there is a great possibility of enhancing distribution network through the KUD network, especially in consumer items distribution through the Waserdas. The provincial and national level federations can enter into manufacturing of consumer goods and take advantage of the KUD distribution network. There is a vast potential in the processing of agricultural produce into items of daily use. Women power within the KUD-covered household could be mobilised into associations which could assist in collection of indents from the members and distribute the goods among them - something like the activities of "Han Groups" of Japan and the women's associations of the Japanese agricultural cooperatives.

In brief, some of the **constraints** faced by the KUD structure can be summarised as under:

- Lack of competence in utilising business opportunities and expanding its access to the market;
- Meagre access to financial resources and inadequacy of internal capital formation and accumulation;
- A total lack of "value-addition through agro-processing" activities;
- Lack of technical know-how and skill to utilise appropriate technology;
- Limited competence in organisation and management;
- Absence of adequate market information system and management information system within the KUD structure;
- Inadequacy of business networking within the cooperative and KUD system as well as cooperation with other business enterprises;
- Absence of own Farm Guidance and Better-living activities.
- Absence of women's participation in the management of rural cooperatives.

Rice procurement for the national food-stock is the principal business of the KUD and will remain so in the years to come. Consequent upon significant progress made in agricultural and industrial sectors besides registering an increase in per capita income and calorie intake, a change has taken place in the life-style of the community. Demands for better quality rice, milk, meat, fruits and vegetables and cereals have risen. KUD will be expected to fulfil diversified economic needs and services in the future more than ever before. Without entering into other business sectors they will find it extremely difficult to break even because the rice trade will only help sustain their existence. Prosperity will only come if the concept of "value-addition" and business diversification is sincerely and

vigorously taken up in collaboration with their secondary federations and by using, to their advantage, the supportive role of the government.

Secondary Level Business Cooperatives (INKUD & PUSKUD)

The Role of INKUD & PUSKUD (Marketing and Supply Business in KUD Structure)

In the sector of marketing and supply, the KUD deal with the following institutions: INKUD and PUSKUD, BULOG (The National Food Agency), The Open Market

The INKUD -National Federation of KUD

The INKUD is the national level business federation of the KUD in the country and its members are the PUSKUD, the provincial level business federations of KUD. The INKUD was established in 1979. The KUD structure is three-tier cooperative structure - KUD at the primary level, the PUSKUD at the provincial level, and the INKUD (INDUK/KUD, the national federation of the KUD) as an apex business organisation, at the national level.

The main aim is that the KUD coordinates its business activities with the PUSKUD in the province, and the PUSKUD, in turn, being a marketing and supply organisation, would procure, process and market KUD products and supply it with farm inputs, basic of all the PUSKUD and provide them with working capital, market information, business contacts and opportunities, undertake research work and act as an international and national trading house for the KUD sector in Indonesia.

There are 27 PUSKUD in the country (there are two in Maluku due to the geographical reasons). The first PUSKUD (PUSKUD Mataram) was established in Yogyakarta in 1973. All the PUSKUDs are the members of the INKUD. Some of the PUSKUDs have branch offices in districts to facilitate business and services with their member-KUD. The PUSKUD activities vary according to the economic potential of their respective regions. They deal mainly in cocoa, coffee, tapioca, vegetables and cloves. Some of PUSKUD have joint ventured or marketing agreements with private companies in some sectors e.g., shrimp farming, coal mine operations, light stone export etc. The INKUD and the PUSKUD are not prominently involved in the procurement of rice, soybean, maize, etc.

The INKUD organisational structure consists of three boards - the Board of Directors, the Board of Supervision and the Board of Executive Management appointed by the Board of Directors. There are six principal directors of business management e.g.:

- Export/Import Trading
- Agricultural Input and Food
- Clove Procurement and Buffer Stock
- Animal Husbandry

- Plantation
- Wood Industry

The current main lines of business activities of the INKUD consist of the following:

- Clove Procurement and its Buffer Stock
- Export of Tapioca chips, Vanilla, Coffee
- Distribution of Fertilisers and Salt
- Rice and Rubber Trading
- Beef Cattle, cattle-feed factory and processing
- Wood-work
- Agro-industry - Palm Oil Plantation

Besides operating its own funds and infrastructure, the INKUD has established joint venture enterprises with private companies. Some of the more prominent have been:

- PT Bank BUKOPIN (Banking)
- PT Bank Dagang Industri (Banking)
- PT Abatoir Surya Jaya (Slaughter house, processing & Mktg)
- PT Induk Agritama (Palm Oil)
- PT Sarana Mitra Satria Putra (Farm Machinery)
- PT Induk Satwa Nusantara (Cattle Breeding, Meat Production)
- PT Goro Yudistira Utama (Wholesale of Consumer Goods)
- PT Induk Agrindo Perkasa (Pineapple concentrate/Juice)
- PT Humpus Graha Nabato (Palm Oil)

The total business volume of INKUD in 1994 attained Rp. 555.5 billion and gained Rp. 8.3 billion as net surplus, with a total asset creation of Rp. 1,508 trillion. Similarly, the compulsory Deposits of INKUD members went up from 0.42 million in 1980 to Rp. 169.79 million in 1984 and to Rp. 725 million in 1994.

Export & Import Business of INKUD: The domestic business is conducted on an indenting basis where the PUSKUD contact the producers-farmers in the KUD and supply the required goods to the designated buyers. The export business is conducted also on an indenting and sharing basis i.e., 40% of the exports sales in retained by the INKUD and 60% is passed on the PUSKUD for downward disbursement.

Clove is an important commodity which remains in constant high demand within and outside the country. The major buyers in the country are the clove-cigarette manufacturers (almost 50% of the national production is used by them). Major production areas are the whole of Sulawesi, Maluku, NTB and Central Java. Many of the KUD are engaged in procurement and marketing of cloves. The trade has high economic returns. The INKUD started its clove trading activity more effectively from 1991 onwards. Until 1991, the BULOG was the main procurement and holding agency. Since 1991 a separate government agency, BPPC (Board for procurement and marketing of cloves) has been created. The INKUD started procurement of cloves from the clove-farmers through allocations made to the respective PUSKUD. In 1991, a total of 117 million Kgs of cloves were collected from 847 KUD. During the year 1995,

a total of 112 million Kgs of clove collected from 1,111 KUD.

The clove business brings a considerable amount of economic returns to the KUD as well as to the clove farmers. According to the government regulations the price at which a farmer sells cloves to the KUD has been fixed at Rp 7,900/kg. The farmer gets Rp.4,000/kg in cash upon delivery while Rp. 1,900/kg is retained by the INKUD towards a fund called Farmers Compulsory Saving Deposits (SWKP-Simpanan Wajib Khusus Petani). This is paid when the BPPC actually makes payments to the INKUD for the cloves supplied to it. In addition Rp. 2,000/kg is retained again by the INKUD towards the share capital of the KUD concerned. In accordance with this practice, the INKUD increased their share capital by Rp.675 billion, and the savings for the clove farmers (SWKP) accounted for Rp. 157 billion for 1993 and 1994. The payment system appears to be complicated and needs simplification to the advantage of the basic farmers. Since the trading in this commodity is highly valuable to market fluctuations and the large amount of stocks held, INKUD needs to be very careful in this trade.

Tapioca chips business commenced in 1988-89 in coordination with PUSKUD of West Java, East Java, Lampung, South Sulawesi and West Sumatra. Export orders were collected by the INKUD and quotes allocated to them. The PUSKUD procured the finished tapioca products from among KUD and exported to various EEC countries. Some of the produce was also exported to China.

Vanilla is another important commodity which is in great demand within and outside Indonesia. The major producing areas are in Bali, Lampung, North Sumatra, North Sulawesi, NTT and Central Java. Until end of 1994, from out of the total sales, a total of 14,500 tons worth Rp. 2.2 billion was exported, mainly to the United States of America.

Coffee and Cocoa come mainly from South Sulawesi and these commodities are usually exported to Japan under an agreement with the JA-ZEN NOH (Inter Coop). In 1993 the total volume of coffee sold was worth Rp. 416,483,682, and, was mainly exported to Japan, Holland. The export orders were executed by the PUSKUD of South Sulawesi. 1994 witnessed an increase in exports of coffee and almost the entire commodity was sent to Holland. The most sought for quality of coffee was "Arabica". The PUSKUD of South Sulawesi and North Sumatra have been the active exporters of this commodity.

Livestock imports have been quite actively done. The INKUD is one of the 34 companies which import livestock, mainly beef- cattle. The beef-cattle are sold to farmers though the KUD for fattening. These are repurchased by the INKUD and processed to marketing. During 1993, there were 11,355,876 beef-cattle and 350,729 dairy cattle in the country. The largest number of the two types was in East Java. The share of INKUD in the importation of beef-cattle is considerably small in a view of the large number of beef-cattle importers.

Cattle-feed Production: With a view to support and improve the quality of dairy-cattle and beef-cattle, the INKUD took over a 15 ton/day capacity cattle-feed factory with an initial investment of Rp. 50 million. The investment has subsequently risen to Rp. 220 million. The produce is distributed among the KUD and primary dairy cooperatives in East Java, Central Java, and even up to East Kalimantan.

Woodwork Factory in Kediri, East Java: With an initial investment of Rp 8 billion made in 1992, a 2-unit wood processing factory was installed in Kediri in East Java to produce raw material for furniture. The factory currently employs about 350 workers. The semi-finished products are exported to Japan, United States and Singapore. The factory had some initial operational problems, but since 1994 it has been in full operation.

Salt Procurement and Distribution: The Island of Madura is the main salt producing area of Indonesia. The INKUD procures raw and semi-processed salt from the KUD in Madura and distributes it among some of the major buyers e.g. the PUSKUD of Bengkulu and Lampung. The iodized salt is sold to food industry in the open market and raw salt to the fishery industry. The INKUD is now planning to install a joint venture refinery factory in Surabaya for processing and distribution of salt in the country.

Fruit Processing: The INKUD hold 44% share, worth Rp 1,500 million in a joint venture company, PT Indo-Agroindo Perkasa, since 1991, which produces pineapple concentrate/juice. The factory is located in Surabaya. The raw material is supplied by the KUD through the PUSKUD, and others, and the finished product is supplied in the open market. It is also planned to export the product.

The INKUD has plans to expand its operations in oil palm estates and processing with the collaboration of PUSKUD and some joint venture companies. Similar business development plans have been made also for the rubber sector.

With a view to enhance its participation in KUD business development programmes, the INKUD has been responsible for the promotion of several national level service cooperative institution e.g., the KJA/N, the Insurance Cooperative and some cooperative financial institutions including Bukopin.

HRD & R&D Activities: In order to support the human resource development activities and to carry out research and development related to KUD business, the INKUD contributes funds from out of its own resources to conduct training, education, research and development programmes. For instance, a sum Rp 337 million was spent by the INKUD during the period 1991-1995 on these activities. The INKUD is also a member of the Indonesian Cooperative Council (DEKOPIN), which is a national apex organisation of the Indonesian Cooperative Movement.

With a view to further enhance the business activities of the KUD it is necessary that business unions at district levels are

organised which deal exclusively in locally-produced commodities and the PUSKUD coordinate their marketing. In this way the PUSKUD can not only strengthen their own economic base but also be in a better position to provide the needed guidance and information on marketing trends to them, instead of dealing with a large number of KUD in their areas of operation.

Dairy Cooperatives and Livestock Development

The dairy cattle were introduced in Indonesia by the Dutch Government at the end of 19th Century. After the Independence, farmers took over these dairy cattle. The purpose of having dairy cattle at that time was mainly to produce manure and supply milk to the Dutch. It gradually changed to produce and market milk. As the milk is perishable commodity and the farmers lived far away from the consumer centres, there was a need to organise the farmers to help them in marketing their produce. Dairy cooperatives were consequently established in 1948 in Pengalengan-Bandung, in 1962 in Pujon-Malang and followed by other areas such as Lembang-Bandung, Nongkojajar Pasuruan, Grati-Pasuruan, Boyolali and Ungaran.

During the period 1960-68, due to unfavourable environment for the growth of dairy cooperatives, many of the existing cooperatives went bankrupt. During the period 1968-1978 while many of the dairy farmers suffered economic losses, the number of milk processing companies increased consequently also increasing the import of powdered milk, butter oil and other dairy products as raw materials. However, only two dairy cooperatives survived, one in Pengalengan in Bandung, and the other in Pujon in Malang, East Java.

An assessment of the collapse of dairy cooperatives and the economic losses of the dairy farmers concluded that the success and development of dairy cooperatives and dairy farmers depended on the marketing of milk quickly and prompt payments to the dairy farmers. Without a central organisation to promote marketing it was considered difficult to protect the interests of farmers. Based on the conclusion of a seminar attended by 14 primary level dairy cooperative and representatives of the private companies and the government, held in Jakarta in July 1978, it was decided to establish the Indonesian Dairy Cooperatives Coordination Board which was subsequently converted into the Union of Indonesian Dairy Cooperative (GKSI) in 1979. It was also agreed that the dairy cooperatives will supply milk collection from the dairy farmers and making payments to them. Dairy and cooperative leaders from Indonesia were also sent to Anand, India, for training and study the AMUL Cooperative Dairy, and the "Anand pattern" of dairy cooperatives development.

Objectives of GKSI: The main objectives of the GKSI are: i) to provide services to members in order to improve their welfare; ii) to maximise profits in order to provide better services to members and develop GKSI business; and iii) to strengthen relations among the members and between the members and the

others (e.g., other cooperatives, private companies, state-owned companies and the government).

The organisational structure of the GKSI consist of the Annual General Meeting of Members, one Board of Directors, one Board of Control/Supervision, and one Board of Advisors. The Board of Directors appoints a Managing Director who manages the organisation through a number of operational managers at the headquarters as well as the managers of the milk treatment plants in the field.

The primary level dairy cooperatives are the cooperatives with single business in dairy and primary rural cooperatives i.e., the KUD which have dairy units. The primary milk cooperatives and the KUDs with dairy units are the members of the GKSI.

The GKSI promoted the concept of **Agro-industry Business Pattern** to be applies at the primary and secondary levels. This pattern covers: 1) pre-production (which includes animal feed, equipment, medicine, breeding and provision of technical services); 2) process production (which includes strengthening cooperative organisations, human resource development, research, extension etc); and 3) post-production (which includes processing at chilling units and milk treatment plants, increasing milk sales, business partnership, joint ventures, and marketing including distribution).

Description of Business Activities of KUD/Milk Cooperatives

It can be noticed that there has been an all round increase in the number of cooperatives, number of dairy-cattle, production and sale of milk over the years. Domestic milk production, with the help of milk cooperatives, has increased.

During the year 1979, the total number of milk cooperatives including the milk business units of the KUDs in the country was only 27, the maximum number being (10) in Central Java and 8 being in East Java. At the end of 1995, the number of milk cooperatives including the KUDs was 202. The maximum number (66 out of which 62 KUDs) being in West Java and 66 (out of which 63 KUDs) being in East Java. Out of the total of 202 members of GKSI 197 were the KUDs. This confirms that the KUDs being rural cooperative institutions have been keen in developing income-generating activities for their members through milk production in addition of to its other marketing and credit activities.

In 1979 the total number of dairy cattle in the country was a mere 94,000 out of which only 5,987 were within the cooperative sector. The total number went up to 330,481 heads of dairy cattle in 1994 out of which 321,921 were within the KUD/milk cooperatives. The highest number within the cooperative sector was 109,808 in West Java closely followed by East Java with 105,819 heads of dairy cattle.

During 1979 a total of only 4,801 people were engaged in cooperative dairy business as dairy farmers and labourers. Due to increase in the number of milk-related cooperatives and the number of dairy expansion of dairy business, at the end of 1994, a total of 236,382 people were engaged in the dairy cooperative industry.

The dairy cooperatives do not undertake any livestock processing activities e.g., slaughter houses, except for fattening of cattle. The importation of beef-cattle is done by 34 private business houses (including the INKUD). The INKUD owns and operates a modern large-size slaughter house in Surabaya, as a joint venture. The GKSI or any of the primary level cooperatives do not import any dairy cows directly. With the recognition of dairy farming by the government, a conducive environment for dairy farming has developed in the country. Within the period 1979-83, about 54,000 dairy cows were imported from Australia and New Zealand and provided to 42,000 dairy farmers in 8 provinces for rearing. The farmers are expected to purchase these cattle with the credit being made available to them through cooperative channels for a period of 3-6 months. The cattle are repurchased for induction in dairy business. At the end of 1994, there were 88,826 imported dairy cattle within the cooperative sector. The largest number was imported from New Zealand (55,323).

The total production of milk in the country during 1977 was only 60.70 million kgs, out of which 1.56 million was the cooperative share. At the end of 1994, the total national milk production was 425 million kgs, out of which 361.33 million was contributed by the cooperative sector. The highest contribution was from West Java (161.84 million kgs), closely followed by East Java (131.75 million kgs).

Because of shortage of milk availability in the country, milk as raw material is allowed to be imported. The current ratio (1994) between the domestic production and imported milk is 1:2. 301.4 million kgs was domestic production, and the imported volume was 602.8 million kgs. In 1982 this ratio was 1:20, which meant that for every litre of domestic milk absorbed by the private milk processing companies, they were allowed to import 20 times of the local milk - a severe drain on foreign exchange resources.

The domestic milk is collected and pasteurized by the dairy cooperatives and delivered to private processing companies, as per agreements. The surplus milk is processed further and marketed by the GKSI and some milk cooperatives in the open market. The GKSI product is marketed under the brand name of "Susu Alam Murni". The processing and marketing of surplus milk is done by the GKSI at its two milk treatment plants, and by four other dairy cooperatives. In 1984, a total of 116,681 kg of milk was marketed while at the end of 1995 the figure was 1.08 m kgs.

In 1977 the farm gate price per kg of milk was Rp. 60, while the factory price was Rp.87.50. At the end of 1995 the farm gate price was Rp 542 and the factory price was Rp 645 per kg of milk.

The business operations of GKSI were carried out in systematic manner and with greater amount of dynamism. The dairy farmers got attracted in the dairy business because of the quick cash payments and a good margin of profit. The GKSI, in 1980 had a capital of Rp 6.38 million. It went up to a figure of Rp 11 billion at the end of 1995. Out of the surpluses of its business operations, the GKSI has been intensifying support services for the members and grassroots level dairy farmers.

Within the dairy cooperative sector there are 9 milk treatment plants, 2 owned and operated by the GKSI itself producing its own brand "Susu Alam Murni". 2 by the KUDs under a joint venture arrangement, and 5 operated by milk cooperatives producing their own branded processed milk.

The GKSI undertakes the production and distribution of feed concentrates and calf milk replacer. It also assists some of the milk cooperatives/KUDs in setting up feed mill plants and small feed mixing units. During 1982 a total of 1.52 million kg of animal feed was produced at the value of Rp. 177 million and marketed a total of 1.96 million kgs of animal feed valued at Rp 196 million. At the end of 1994, the production was 5.82 million kg which fetched Rp 1 billion.

Prospects of KUD Milk Business: From the above it is clear that the dairy farming business carried out by the primary cooperatives/KUDs has progressed satisfactorily since the very beginning except for minor operational problems. However, the expansion of dairy cooperatives business could not progress fast enabling it to venture out in further value-addition through processing and converting milk into cheese or butter or milk powder. This is mainly due to lack of financial resources to expand or upgrade the processing facilities as well as due to the agreements with the private processing companies which left the cooperatives with a minor share of fresh milk for processing. The leadership of the GKSI, however, have managed to retain the goodwill of dairy farmers because of quick payments and provision of services.

Some of the services provided to the dairy farmers have been the following:

- Cattle-feed production, creation of infrastructure;
- Artificial insemination services;
- Animal health care;
- Enhancing and maintaining milk quality controls; and
- Education, training and extension to personnel and members.

Artificial Insemination (AI) services are provided, at a heavily subsidized rate, through the network of KUD/primary milk cooperatives. High quality of imported material is used to improve the quality of dairy cattle. Field staff are trained by the GKSI through orientation and refresher course on a regular basis. Key members from dairy cooperatives and the related employees are trained in improving the quality of milk, services, and maintenance of dairy-cattle through intensive training with

the help of local and international dairy experts.

Diary farming business has provided a contribution to the national development programmes especially those which are directly connected with poverty alleviation and better-living. Dairy business provides certain and continuous income for the farmers as compared with other agricultural commodities which yield seasonal income.

Conclusion

Diary cooperatives in Indonesia have shown a trend of steady growth. Owing to the limited procurement of fresh milk and the processing capacities, the much needed "value-addition" by way of diversification of business has not taken place, although vast potential exists. Animal husbandry services and production of cattle-feed need qualitative and quantitative expansion. Cattle-feed could be produced jointly by the milk cooperatives/GKSI and the KUD according to the specifications prescribed by the GKSI.

JICA-JAPAN INTERNATIONAL COOPERATION AGENCY
JA/ZENCHU-CENTRAL UNION OF AGRICULTURAL COOPERATIVES-JAPAN
MINISTRY OF COOPERATIVES AND SMALL ENTERPRISES DEVELOPMENT
GOVERNMENT OF THE REPUBLIC OF INDONESIA

**STUDY ON INTEGRATED DEVELOPMENT OF RURAL COOPERATIVES-KUD
IN THE REPUBLIC OF INDONESIA 1996-1997**

ECONOMIC BUSINESS OF KUD INCLUDING AGRO-PROCESSING SECTOR

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SUMMARY
OF PRESENT SITUATION, EVALUATION,
HAMPERING FACTORS AND POSSIBILITIES
[Provinces Covered]

NATIONAL

ECONOMIC BUSINESS

Present Situation and Evaluation
including Hampering Factors and Possibilities

KUD were established (Presidential Decree 4/1973) as multipurpose cooperatives in the rural areas as instruments to boost food production by receiving various governmental assistance such as privileges for supplying fertilisers, farm chemicals, procurement of rice for BULOG (National Food Agency), disbursement of loans to support production and supplement shortages of funding needs of KUD. Presidential Decree 2/1978 granted the KUD the status of an economic business unit. KUD were intended to serve as basic economic business units at the village level. Self-sufficiency in rice supply has been the main goal of the nation. Since the introduction of BIMAS (Programme for boosting food production), the government has placed major emphasis on agricultural policy, directed towards increasing food production. These goals were successfully achieved in 1984. Presidential Decree 4/1984 emphasised the participatory role and responsibility of the rural community for its own development - social and economic. The government has also facilitated stabilisation of KUD management through various means e.g., Presidential Decrees and Instructions from the Ministers. KUD continued to occupy an important place in all the National Economic Development Plans (REPELITA).

KUD have gradually become major suppliers to the national food-stock (BULOG), as also the important consumer goods suppliers in rural areas through their retail shops (waserdas). Major commodities handled are: rice, corn, soybeans, cloves, coffee, dairy and livestock, farm inputs and infrastructure like rice milling units, paddy drying floors and warehouses. A majority of KUD are affiliated to their business federations - Puskuds - which, in turn, are members of Inkud at the national level. Procurement of primary products is done by the KUD and supplied to the market through their federations or directly. Procurement prices of key crops e.g., rice, cloves are fixed by the government. Federations conduct business independently and on indenting basis. Export is handled by federations. Chemical fertiliser distribution to the farmers is through the KUD, who lift the material from PT Pusri's bulk warehouses. Inkud is a buffer stock holder of cloves. Inkud has floated several companies as well as invested in joint venture enterprises. Dairy products and livestock availability has gradually increased although the market share of cooperatives is still low.

The KUD remain the principal channels of procurement of rice for the national food stock. They are regarded as strong contributory factors to ensure food security for the country. A close relationship between the two exists. Given below is a brief description of the role played by the KUD in rice procurement:

- i. 1983-84. National paddy/rice production 22.8 million tons. Bulog purchased 2.0 million tons (9.2% of the national production). 2,078 KUD purchased a total of 2.0 million tons from the farmer-members. 2,193 KUD supplied a total of 1.9 million tons of rice to Bulog (almost 97.7% of the total purchased by the Bulog). The highest procurement was from East Java - 557 KUD supplied 377,972 tons.
- ii. 1990-91. National paddy/rice production 29.9 million tons. Bulog purchased 2.5 million tons (8.4% of the national production). 2.09 million tons (about 7.21% of the national production) was purchased by 2,357 KUD. 2,131 KUD supplied a total of 2.05 million tons (81.5% of the Bulog's total purchase). The highest procurement was from Central Java - 437 KUD supplied 163,875 tons.
- iii. 1993-94. National paddy/rice production 30.2 million tons. Bulog purchased 1.9 million tons (6.2% of the national production). 1.78 million tons (5.9% of the national production) was purchased by 2,258 KUD. 1,989 KUD supplied 1.66 million tons (86.2% of the Bulog's total purchase). The highest procurement was from East Java - 522 KUD supplied 776,960 tons.

KUD from Java have been the main contributors to the national food stock. From outside Java it was South Sulawesi.

A sample of total business volume of the KUD is given below:

Period	No. of KUD	Business Volume (Rp)
1983-84	6,579	437.6 million
1984-85	6,875	811.4 million
1987-88	7,834	1,316.3 million
1988-89	8,027	1,856.9 million
1990-91	8,498	966.9 million

On an average the total business turnover per KUD and per KUD member has constantly increased during the period 1973-1993:

Year	Per KUD	Per KUD Member
1973	Rp 10 million	Rp 9.2 million
1977	Rp 28 million	Rp 15.4 million
1984	Rp 124 million	Rp 68.8 million
1990	Rp 380 million	Rp 197.4 million
1993	Rp 705 million	Rp 463.6 million

KUD own and operate dryers, drying floors, rice milling units, warehouses and trucks. There were 7,172 warehouses, 2,792 rice

milling units and 1,858 dryer machines within the KUD sector during 1995. Some of the KUD also own farm equipment like tractors, harvesters, fumigators etc.

Chemical fertiliser is produced by six State-owned companies. The distribution of the material is coordinated by PT Pusri. KUD lift the material from PT Pusri's warehouses and distribute to the farmer-members through a network of KUD's TPK. During 1988-89 out of a national distribution of fertiliser of 5.2 million tons, the 2,322 KUD distributed 2.9 million tons (55.7%). During 1993-94 out of a total national distribution of 5.25 million tons, 3,174 KUD distributed a total of 3.99 million tons (76%).

In the sector of dairying and livestock development, many of the KUD operate milk units which work in close collaboration with the Union of Indonesian Dairy Cooperatives-GKSI. Primary level milk cooperatives and KUD milk units procure milk, chill it and transport it to the private milk processors as well as to the GKSI treatment plant located in Bandung. KUD also assist farmer-members to procure dairy and beef cattle. The concentration of milk units is within the KUD in Java.

The Inkud (established in 1979) is a national federation of KUDs and Puskuds. The Inkud coordinates its business activities with the Puskud in the province, which, in turn, being a marketing and supply organisation, would procure, process and market KUD products and supply it with farm inputs, basic necessities and other consumer goods. The Inkud coordinates activities of all the Puskuds and provides them with working capital, market information, business contacts and opportunities, undertake research work and act as an international and national trading house. The Inkud and the Puskuds are not prominently involved in the procurement of rice, soybeans, maize etc. The Inkud is prominently involved in the procurement of cloves on behalf of the government cloves procurement authority. The Inkud also procures items like coffee, cassava chips, vanilla, cocoa. It also imports beef/dairy cattle on behalf of KUD. Some of its joint ventures include: fruit processing, salt processing, cattle-feed production, slaughter house, wood-work.

Dairy and livestock situation in the country has progressed, as is shown below:

Particulars	1977	1992	1994
Milk Coops/KUD Milk Units	2	198	201
No of Dairy farmers	980	72,346	80,480
Local Milk Production/Mil kg	60.70	367.20	425.00
Cooperatives Share/Mil kg	1.56	322.98	361.33
No of Dairy Cattle - National	0	312,226	330,481
Cooperatives Share/Nos	0	289,384	321,921
Farm Gate Price Rp/kg	60	447	516
Factory Price Rp/kg	70	1,650	1,850
Average Milk Price Rp/kg	180	1,650	1,850

The highest milk collection was from West Java (161.84 million kg, 38.1% of local milk production), closely followed by East Java (131.75 million kg, 31%) at the end of 1994.

In spite of their long presence and strong support from the government, the KUD economic business structure still remains weak. Absence of key economic development factors e.g., value addition, integrated approaches, easy credit supply and lack of coordination in farm input distribution have hampered KUD business growth. KUD has not yet adopted agricultural promotion planning, own farm guidance and better-living activities. Since the introduction of open market economy, paddy/rice can be liberally imported and farmers can sell their products in the open market, the sale of paddy/rice to Bulog has gone down resulting into lower receipts of economic commissions to the KUD. Distribution of seeds, farm chemicals and some forms of chemical fertilisers has also been decontrolled. Except for distribution of urea from the PT Pusri to the farmers through the KUD network, farmers have been purchasing farm inputs from the open market. The KUD continue to receive commissions from the government for the distribution of urea, which, in fact, forms nearly 40 - 90% of their working capital. KUD have limited access to easy credit, not diversified their economic business and have limited economic support or guidance from their business federations. Very few KUD have entered into joint ventures with private enterprises.

A large percentage of KUD marketing and purchasing business revolves around the government-supported programmes e.g., procurement and supply of rice, other food items e.g., wheat flour, sugar, soybeans and essential supplies like the kerosene oil, distribution of fertiliser, farm credit supply, procurement of cloves, and sugarcane intensification. KUD collect a commission or a service fee in handling these programme commodities. Some of the examples are: on handling fertiliser (an average of 62.1% of their total turnover in case of KUD in North Sumatra - the highest being 88% in respect of KUD Lau Simalen, 51.9% in Lampung - the highest being 79.3% in KUD Karya Maju, 49-52% in West Java - the highest being 89% in KUD Bayongbong, 39.7% in East Java - the highest being 100% in KUD Budi Makmur, 22.9% in NTB - the highest being 38.6% in KUD Karya Utan, 50.1% in South Kalimantan - the highest being 97% in KUD Tunggung Pandang, and 22.7% in South Sulawesi - the highest being 43.5% in KUD Sipatuwu; on handling rice business it was 7.6% for North Sumatra, 25-30% for Lampung, very low in West Java, very low in East Java, 13.6% in NTB, 17.1% in South Kalimantan, and 75.8% in South Sulawesi; farm chemicals 3-11% and Rubber business (27% in Lampung).

Consequent upon significant progress made in agricultural and industrial sectors besides registering an increase in per capita income and calorie intake, a change has taken place in life style of the community in rural and urban areas. Demands for better quality rice, milk, meat, fruits and vegetables, and cereals have risen. Besides reduction in farmland due to non-farm use, migration of active farmers to urban centres, especially in Java, has led the elders being left behind to look after farming,

raising need for farm mechanisation. Although there would be increase in national population and agricultural production, percentage of rice consumption per capita is likely to reduce because of other food alternatives being adopted. KUD role as major rice suppliers to national food stock will continue to remain prominent. Although the KUD in rural areas enjoy a significant presence and tremendous influence they have yet to undertake a variety of steps to improve their capacities and capabilities. They have a strong potential to become a great social and economic unifying network in rural Indonesia.

Sustainability of economic business of the KUD on their own in the absence of government-supported programme is very low because the concepts of joint marketing, joint purchasing, joint-use facilities, joint capital, members' accounts settlement systems have neither been introduced nor understood. Puskud/Inkud's business policies often do not support the KUD business. KUD waserdas/kiosks do not handle sale of farm machines, maintenance and servicing. Consumer goods range is low and facilities are inadequate.

Suggested directions to enhance KUD marketing and supply business could be the following:

- Adopt 'value added' and diversified business strategies;
- Establish credibility through a Corporate Identity (CI);
- Business federations to play leadership role;
- Establish business linkages with state/private companies;
- Develop and utilise "common-use facilities";
- Undertake processing, packaging and distribution;
- Promote community-related business activities;
- Promote access to wholesale markets/financial institutions;
- Local manufacture of farm inputs, tools and other goods;
- Establish/strengthen market information systems;
- Waserda/kiosks to become dynamic distribution channels;
- Remove legal bottlenecks and secure incentives;
- Convene regularly KUD conventions to discuss future plans.

01 NORTH SUMATRA

ECONOMIC BUSINESS

Present Situation and Evaluation including Hampering Factors and Possibilities

Present Situation: Distribution of chemical fertiliser still remains to be a major business of KUD. During 1995, a total of 310,914 tons was distributed by 159 KUD. Farm chemicals, seeds and other farm inputs are available in the open market.

In 1995 there were 824 warehouses with drying floors, 61 RMUs and 72 rice drying units in the KUD sector. KUD do not own any cold stores or any other agro-processing units except for drying floors for coffee beans and vanilla pods. Some KUD possess facilities for cleaning and storing facilities for cloves and copra. There were 442 retail outlets (waserdas).

Principal business of the KUD in North Sumatra, among others, are rice procurement, procurement of cloves, procurement of cassava and its processing, cash crops like coffee, coconut, cocoa, rubber, oil palm, hog raising, horticulture, distribution of chemical fertiliser, farm credit and consumer goods. During 1995 only 36 KUD had collected 4,454 tons of paddy/rice, and nothing was supplied to the Bulog.

All cash crops move out of the province for further processing and marketing. Primary processing of rubber, coconut, oil palm, rattan is done locally by State-owned and private enterprises. Cloves is handed over to the Puskud for the national buffer stock. There are 8 cattle-feed mills which produce nearly 270,000 tons of concentrates annually. They make use of local products e.g., cassava, copra and oilpalm residues, rice bran and wheat pollard. There is no dairy activity in the province.

A number of farmer-members raise pigs on their own. There are also a number of beef cattle, buffaloes, sheep and horses. Their development and slaughtering facilities are owned by the government and private enterprises.

The total business volume and total surplus of KUD in 1992 and 1995 was as follows:

Particulars	1992 (M.Rp)	1995 (M.Rp)
Total Business Volume	88,524	271,119
Total KUD Surplus-SHU	674	2,369

Some of the KUD had attempted to export fresh vegetables to markets in Singapore and Malaysia. Through some external technical assistance, vegetable handling facilities were also provided to KUD. Due to its wrong location and high operational expenses, the facilities are not longer in use. The KUD market their products (for exports) through exporters.

The Puskud-North Sumatra (established 1984) is a major cooperative business organisation to which 383 KUD/cooperatives are affiliated. Its business activities include: procurement and supply of paddy/rice, distribution of fertiliser, sugar/other essential commodities, collection of vanilla, coffee, cloves and other farm products and distribution of consumer goods.

Evaluation: KUD main business revolves around government-supported programmes: fertiliser distribution 88% (of turnover), food procurement and supply 7.6%, farm credit, procurement of cloves 57.9% (for Puskud), and sugarcane intensification; Fees and commissions received form the core of KUD working capital; No joint marketing, joint purchasing and joint-use facility concepts adopted by KUD; No pigs and poultry handling and processing business by KUD although they are available in large numbers; Major cattle-feed production in private sector; KUD-Member business transactions are generally in cash; and Farm machines, transportation equipment insufficient.

Hampering Factors: Lack of investment and working capital; Insufficient ability to market members' produce; Lack of marketing facilities; Lack of understanding and application of joint marketing, joint purchasing, joint-use facilities and joint-use of capital concepts; Lack of business information; Lack of members' accounts settlement procedures; Insufficient guidance on farm management, planning and better-living; Lack of service to members; Lack of business relations with business enterprises; Low technology in rice handling and processing, Lack of livestock development and manufacture of quality cattle-feed; Lack of training and development of KUD leaders and managers; and Inadequate member education.

Possibilities: In order to increase the income levels of farmer-members, KUD need to further develop their own economic business. For this, the following possibilities exist:

- Introduce basic business concepts of joint marketing, joint purchasing, joint-use facilities and joint-use of capital;
- Mobilise capital through joint ventures and internal savings;
- Strengthen business linkages with KUD and secondary level business cooperative/private enterprises;
- Introduce market information systems;
- Introduce members' accounts settlement procedures;
- Encourage local production, processing of local material e.g., home-made pork;
- Establish vegetable grading, packaging facilities including cold stores and warehouses;
- Enhance shipment facilities;

- Strengthen producers' groups;
- Computerisation of accounts;
- Establish cattle-feed production facilities by using local raw material e.g., cassava, oilpalm and copra residues;
- Improve waserdas and TPK through joint procurement;
- Strengthen training of KUD leaders and employees; and
- Member education to secure their higher business participation in their KUD.

ECONOMIC BUSINESS: BASIC PLAN FOR INTEGRATED DEVELOPMENT OF RURAL COOPERATIVES

Background: In addition to paddy/rice procurement and marketing, fertiliser distribution is one of the major economic business of KUD in North Sumatra. While in 1990, 205 KUD had sold 152,153 tons of fertiliser, in 1995 a total of 310,914 tons (204.3%) was distributed by 159 KUD. For the purchase of urea for paddy cultivation, the government provides credit channels to the farmers through the KUD. The KUD receive handling fee, which forms a good portion of their working capital. Also on rice procurement, the KUD receive commission. While during 1988-89, 39 KUD had purchased a total of 3,559 tons of rice from the farmers, during 1994-95 a total of 4,454 tons (125.1%) was purchased by 36 KUD. In 1988-89 only 3 KUD had sold 600 tons of rice to the Bulog.

Other products of the province include: copra, oilpalm, rubber, coffee and some vegetables and fruits. In the past some of the KUD had exported vegetables to Singapore and Malaysia markets. A cooperative, KUD Citama is engaged in coal mining contract business. The Puskud undertakes procurement of cloves and distribution of fertiliser. Commissions received form a part of its working capital.

KUD, however, suffer from a serious lack of working capital, lack of marketing opportunities, low level of technology in rice handling, lack of initiative on handling other products e.g., livestock, poultry and processing of vegetables and fruits.

Basic Plan for Economic Business Development: The following plans are suggested:

- Development of collection and processing facilities for rice, cash crops, fruits and vegetables, poultry and livestock through technological inputs and up-gradation of existing facilities;
- Vegetables procurement, grading, packaging and shipment methods and techniques;

- Cattle-feed manufacture using local materials e.g., corn, cassava, residues of coconut and oilpalm, rice bran etc,;
- Establishment of home-made pork processing units and arrange its marketing;
- Expansion of warehousing capacities.

02 LAMPUNG

ECONOMIC BUSINESS

Present Situation and Evaluation

including Hampering Factors and Possibilities

Present Situation: Fertiliser distribution remains to be a major business of KUD. During 1995, a total of 155,014 tons of urea was sold by 111 KUD which was 198% of the material sold during 1992. Farm chemicals, seeds and other farm inputs are available in the open market.

In 1995 there were 20 RMU, 87 rice dryer units, 8 units of warehouses and 8 drying floors. KUD do not own any cold stores or any other agro-processing units except for drying floors for cloves and copra and collection centres for rubber. There were 182 retail shops (waserdas) with the KUD.

Principal business of the KUD in Lampung, among others, are rice procurement, procurement of cassava, rubber, sugarcane and cash crops like cloves, coffee, rubber, and distribution of chemical fertiliser, farm credit and consumer goods. During 1995, a total of 12,494 tons of paddy/rice was purchased by 20 KUD, and sold 4,710 tons to the Bulog.

All cash crops move out of the province for further processing and marketing. Primary processing of rubber, sugarcane and coconut is done locally by State-owned and private companies. Cloves is handed over to the Puskud for the national buffer stock. Cassava is widely grown and is used for cattle-feed production and partly converted into chips for export. KUD in Central and North Lampung serve as procurement agents for 10 private feed formulators (producing 991 tons during 1994) using local ingredients e.g., banana chips, bakery, fish and shrimp flour, corn, and cassava. Being closest to consumption areas like Jakarta, a number of private companies have set up large livestock facilities for rearing beef-cattle. Also, there are a number of privately-owned poultry farms. KUD are not involved in this business. There is no dairy activity in the province.

Close proximity to high consumption area of West Java, Lampung farmers have been growing a large quantity of vegetables. Farm products are collected through the KUD network either at the initiative of the traders and their agents or at the behest of the KUD farmers' groups. The business is transacted outside the books of the KUD.

The total business volume and total surplus of KUD in 1994 and 1995 was as follows:

Particulars	1994 (M.Rp)	1995 (M.Rp)
Total Business Volume	175,803	122,085
Total KUD Surplus-SHU	756	1,153

The Puskud-Lampung is a major cooperative business organisation to which 202 KUD/cooperatives are affiliated. Its business activities include: procurement and supply of paddy/rice, corn, collection of cloves and cassava/cassava chips, coffee beans (on behalf of Inkud), distribution of fertiliser, sugar/other essential commodities, soyabeans, wheat flour and sugar. Its source of income consists of commissions and fees. Its total sales during 1995 were Rp 3,211.6 million.

Evaluation: KUD main business revolves around government-supported programmes: fertiliser distribution 51.9% (of turnover), paddy 16.2%, sugar distribution 51.3% (for Puskud), farm credit, and sugar intensification. Procurement of rubber (27.4% KUD Kencana Jaya); Fees and commissions received form the core of KUD working capital; No procurement, grading and shipment facilities by KUD for cassava handling (a major product), sugarcane and rubber; Due to transmigration areas fertiliser consumption is high for paddy, cassava, sugarcane and rubber plantations; No joint marketing, joint purchasing and joint-use facility concepts adopted by KUD; and KUD facilities are grossly inadequate due to lack of communication, transportation and electricity.

Hampering Factors: Lampung being a former transmigration area still suffers from severe lack of infrastructure facilities e.g., electricity, road, communication, market places. These factors are: Lack of ability to undertake marketing; Lack of understanding and application of joint marketing, joint purchasing and joint-use facility concepts; Unfavourable purchasing policies of private processing industries esp., rubber, sugar and cassava; Lack of warehouses, transportation and utilisation facilities; Serious lack of business relations with secondary level organisations and private enterprises; No joint ventures in processing of vegetables and production of cattle-feed although a plenty of raw material available; Lack of business information; Lack of marketing facilities; Insufficient farm guidance; Insufficient provision of services to members; Lack of training of leaders and managers; and Lack of member education activities.

Possibilities: In order to increase the income levels of farmer-members, KUD need to further develop their own economic business. For this, the following possibilities exist:

- Increase quality and quantity of paddy, rubber, cassava, corn, beef/dairy cattle, and sugarcane;
- Higher levels of transportation, warehousing and processing facilities;
- Introduce technologies to process local products for local use e.g., pineapple waste, coconut waste, sugarcane tops, cassava, rice bran, corn etc. for cattle-feed manufacture;
- Increase horticulture production and quality and negotiate marketing strategies and price structures;

- Establish joint ventures in rubber and cassava processing to overcome shortage of capital;
- Introduce joint marketing, joint purchasing and joint-use facility concepts;
- Establish business information systems in collaboration with secondary level organisations;
- Training of managers through private enterprises e.g., rubber processing, sugarcane handling, cassava processing, farm machine operations; and
- Expand member education and information activities at the KUD level.

ECONOMIC BUSINESS: BASIC PLAN FOR INTEGRATED DEVELOPMENT OF RURAL COOPERATIVES

Background: In addition to paddy/rice procurement and marketing, other major economic business of KUD include: rubber (small holders), sugarcane cultivation and its supply to sugar mills, cassava, clove procurement, disbursement of farm credit and supply of consumer goods through waserdas. While during 1988-89, a total of 45 KUD had purchased a total of 21,848 tons of paddy/rice from the members, only 20 KUD in 1994-95 had purchased a total of 12,494 tons (57.1%). In 1988-89 a total of 47 KUD had sold a total of 34,164 tons of rice to the Bulog, a total of 20 KUD had sold 4,710 tons (13.7%). Less and less KUD are procuring the produce from the members and supplying less and less quantities to the Bulog. This is mainly due to the following reasons: i) RMU are not efficient; ii) the production is often rejected by Bulog; iii) inadequate funds to purchase paddy from the members; and iv) limiting the purchases by the Bulog itself.

Although cassava is a major produce, yet KUD are not processing it for cattle-feed or for other purposes. Corn is also widely grown. 10 private feed formulators make use of cassava, corn, pineapple waste, banana chips, bakery wastes, sugar tops, coconut and oil palm residues. Raw rubber from small-holders' estates and sugarcane are supplied to respective processing units owned by government/private enterprises in the province.

Because of its nearness to Jakarta and other high consumption areas of West Java, several private companies have established large livestock facilities and poultry farms. KUD are not engaged in this business. Vegetables and fruits are all purchased by the private traders for shipment to Jakarta.

The Puskud is weak in its business. It, however, organises distribution of fertiliser, soybeans, corn, and other consumption items. It also handles coffee, cloves, and brans business.

KUD in the area suffer from various problems: Acute shortage of working capital; acute shortage of farm implements (e.g., sugar cultivation); lack of facilities and technology for handling

rubber, oil palm, copra for primary processing; inability to market local fruits and vegetables, poultry products; inadequate facilities and technology for KUD to produce cattle-feed using local material etc.

Basic Plan for Economic Business Development: The following plans are suggested:

- Establish joint ventures in procurement of fresh vegetables and local fruits for grading, packaging, shipment, processing and marketing;
 - Establish joint ventures to procure relevant raw-materials e.g., cassava, corn, pineapple waste, sugarcane tops, copra and oil palm residues and brans for manufacture of cattle-feed and market the product locally (among livestock companies);
 - Establish joint ventures to grade and undertake primary processing of raw rubber procured from small-holders estates;
 - Install small-scale electricity generating units;
 - Organise procurement of heavy duty tillers and make them available to sugarcane growing areas, and also to develop better varieties of sugarcane seeds.
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03 WEST JAVA

ECONOMIC BUSINESS

Present Situation and Evaluation including Hampering Factors and Possibilities

Present Situation: Distribution of chemical fertiliser still remains to be a major business of KUD. Farm chemicals, seeds for paddy, palawija and horticulture crops are available to the farmers in the open market. Paddy seeds are obtained by the farmers from a State-owned company, PT Seng Hyangseri.

There were 1,695 warehouses of all types, 238 RMUs and other machines which were owned by KUD, as in July 1995. Some of the equipments have been imported (mostly from Japan), and some have been locally assembled. Several of farm equipments and rice processing machines were given to the KUD under OECF and Kennedy Round Programmes. Equipments like the large-sized warehouses, dryers, rice polishers, moisture testers, soybean threshers, cassava root-cutters, corn shellers and trucks are owned by other organisations but have been placed at the disposal of the KUD for their use. Nearly all KUD owned paddy drying floors. KUD engaged in milk business own cooling units, holding tanks, milk testing equipment, transfer trucks/tankers besides dairy-related machines, and the cattle-feed mixing units and small warehouses. No cold stores or any other processing industrial units are owned by the KUD.

Principal business of the KUD in the province, among others, are rice procurement, horticulture, milk collection, procurement of cloves, livestock development, cattle-feed manufacture, and distribution of chemical fertiliser, farm credit and consumer goods. In 1995, 293 KUD procured from the farmers a total of 325,150 tons of paddy/rice, and 286 KUD had sold 82,645 tons to the Bulog. The supplies to the Bulog are getting reduced due to: i) shortage of procurement funds; and ii) open market situation. In West Java only 35.8% of the year 1985-86 was supplied by the KUD network to Bulog in 1994-95.

Except for a few KUD (for instance KUD Pasir Jambu, and KUD Sarva Mukti), marketing of vegetables and fruits is usually done by the members themselves through the farmers' groups. Major horticulture products are potatoes, tomatoes, chilies, cucumber, baby corn, carrots and some green leafy vegetables. Products are sent to the wholesale markets in Bandung and Jakarta. PT Indofood purchases a bulk of potatoes, tomato and chilies for processing at its own facilities. There are no KUD which supply horticulture products to fast food companies. KUD Pasir Jambu has a direct agreement with Hero Supermarket for supply of certain designated farm products. On an average, during 1996, this KUD had sold about 25 tons of horticulture products worth Rp 40.5 million per month. Some of the KUD had even attempted to export some of the horticulture products. Another cooperative, KUD Walatra is known to encourage contract farming of a special variety of potatoes.

Milk marketing has gradually become the profit-centre of many milk cooperatives/KUD. Fresh milk is collected by the cooperatives, chilled and transported to the milk processing companies and the GKSI. 99% of the milk procured is supplied to the IPS, and only 1% to the GKSI Milk Treatment Plant in Bandung. The GKSI markets ready-to-drink milk and some basic milk products under the brand name of "Susu Alam Murni". During 1994, the share of West Java cooperatives in national milk production was 44.7%, followed by East Java.

The total business volume and total surplus of KUD in 1995 and 1996 was as follows:

Particulars	1995 (M.Rp)	1996 (M.Rp)
Total Business Volume	851,001.0	906,105.0
Total KUD Surplus-SHU	12,972.0	13,224.0

The Puskud-West Java is a major cooperative organisation to which 759 KUD are affiliated. Its main business relation with the KUD relates to fertiliser distribution, procurement of cloves and distribution of some consumption goods e.g., sugar, wheat flour, soybeans etc. Its business is uni-directional, from the Puskud to the KUD only. Its total sales during 1996 was Rp 10,770.7 million. Its major source of income has been the commissions and fees. It has recently entered into joint venture business with PT Goro, a private enterprise dealing in wholesaling. It has recently (1997) upgraded its Supermarket "Citra".

Evaluation: KUD main business revolves around government-supported programmes: fertiliser 49-52% (of turnover) (highest in KUD Byongbong 89%), 65.3% in respect of Puskud; farm credit and procurement of cloves. Fees and commissions received form the core of KUD working capital; milk and horticulture are important KUD business e.g., 70.2% of milk in KUD Tani Mukti and 44.6% in KUD Cikajang; vegetables 22.8% in KUD Pasir Jambu, and 12.5% in KUD Bayongbong; farmer-members are engaged in livestock development; KUD produce 70% of cattle-feed requirements using wheat-pollard (the nutritional quality of cattle-feed is low); no joint-marketing, joint purchasing and joint-use facilities concepts adopted by KUD; and the GKSI contributes significantly to milk handling technology and facilities although its own facilities in Bandung are grossly under-utilised.

Hampering Factors: KUD in the province suffer from acute shortage of working capital, lack of ability to market products, lack of market information, very poor business linkages with cooperatives and Puskud, absence of appropriate handling, grading, packaging and processing of horticulture products, low level of production facilities and technology for cattle-feed, and lack of facilities for livestock development (farmer-members also find the imported credit dairy cattle to be expensive). Insufficient capacities for warehouses and retail outlets (waserdas). In highland areas, especially in Bandung district, although a large quantity of potato is grown, they are not suitable for fast-food stores.

Possibilities: With a view to increase the income levels of farmer-members, KUD need to further develop their own economic business. For this the following possibilities exist:

- Increase production of higher quality milk;
- Provide higher technical levels of cooling capacity and speedy transfer of chilled milk to processing centres;
- Establish technology transfer for processing of fruits and vegetables;
- Establish methods for horticulture products price negotiations;
- Introduce joint marketing, joint purchasing and joint-use facility concepts;
- Establish joint ventures to overcome shortage of working capital;
- Establish grading, packaging, storing and shipment facilities at KUD/district level;
- Quality improvement and expansion of cattle-feed production facilities;
- Introduce and expand livestock/dairy cattle development and establishing calf nurseries;
- Establish business relations with secondary level federations/private enterprises for supply of consumer goods and farm inputs;
- Establish business information systems;
- Expand training of KUD leaders and managers in management and farm-related subjects;
- Training of managers through the private industry e.g., milk processing, cattle-feed manufacture, farm machine operations; and
- Expansion of member information activities at the KUD level.

ECONOMIC BUSINESS: BASIC PLAN FOR INTEGRATED DEVELOPMENT OF RURAL COOPERATIVES

Background: KUD in West Java are quite active in marketing and supply business. Principal economic business consists of: distribution of fertiliser, farm inputs, production and distribution of cattle-feed, supply of paddy/rice to national food stock, procurement and distribution of milk, fruits and vegetables, and distribution of consumer goods through waserdas. Other economic business include: procurement of cloves, distribution of essential commodities.

The total turnover of KUD during 1992 was Rp 750,970 million which rose to Rp 901,424 million in 1995 (120%). Similarly, the total surplus (SHU) which in 1995 was Rp 12,972 million had risen to Rp 13,224 million (102%).

KUD get credit from the government to purchase rice. While during the year 1985-86, 264 KUD had procured a total of 250,233 tons of paddy/rice, 293 KUD had purchased a total of 325,150 tons (130%) during 1994-95. Because of open market trading of rice, lesser quantities of rice is being sold to the Bulog.

Except for a few KUD, marketing of vegetables and fruits is done by the members themselves through the KTs. Due to its close proximity with the national capital, Jakarta, the demand for fresh fruits and vegetables is very strong. Private companies are purchasing, also through KUD network, large quantities of potatoes, tomatoes and chilies from highland areas of the province.

West Java supplied almost 11.5% (13,149 tons) of the national procurement to the cloves national stock. During 1995, the Puskud received Rp 678 million as its handling fee, which is 25.2% of its total turnover.

Milk business is becoming the profit centre of many KUD. In 1994, West Java's share in national milk procurement was 44.7%. GKSI and the private milk processors receive a bulk of their raw fresh milk through the KUD/milk cooperatives network who own cooling units and transfer tankers. Cattle-feed production in the province in 1994 was 804,600 tons, a part of which was produced by KUD and milk cooperatives. Members also own and manage livestock - beef/dairy cattle.

KUD, however, suffer from various problems e.g., shortage of working capital, lack of marketing opportunities, lack of business linkages, lack of technology, inadequate business information, inadequate financial management methods and techniques, lack of 'value addition' methods and opportunities, lack of trained managers, and inadequate member education activities.

Basic Plan for Economic Business Development: The following plans are suggested:

- To overcome shortage of capital adopt joint-use of facilities, joint use of capital, and joint purchasing by entering into joint ventures with private enterprises and together with similar KUD and secondary level cooperative business federations;
- Establish joint marketing of products of highland areas for commodities like potato, tomato, chilies and other fresh vegetables and fruits and negotiate prices and supplies with bulk buyers like fast-food outlets, hospitals, hotels and restaurants;

- Arrange to supply quality seeds (e.g., potato);
- Establish horticulture procurement, grading, packaging and shipment facilities;
- Increase production of higher quality of fresh milk through additional dairy cattle, high quality of cattle-feed manufacture;
- Establish small milk processing units for handling surplus milk and market products locally;
- Establish members' accounts settlement systems by using computers; and
- Provide market information.

04 EAST JAVA

ECONOMIC BUSINESS

Present Situation and Evaluation including Hampering Factors and Possibilities

Present Situation: Distribution of chemical fertiliser still remains to be a major business of KUD. During 1995 a total of 1.3 million tons of material was distributed by 680 KUD. Improved seeds, farm chemicals and other farm inputs are available in the open market.

During 1994 there were 2,640 RMUs with the KUD which handled 8.6 million tons of paddy. In 1995 there were 2,010 drying floors and 274 rice drying units. Some of the equipments have been imported (mostly from Japan) and others locally assembled. Several of the farm equipments and rice processing machines were given to the KUD under OECF and Kennedy Round Programmes. A majority of farm equipments e.g., fumigators, harvesters, sprayers are owned by the farmers themselves.

Principle business of the KUD in the province, among others, are rice procurement, horticulture, milk collection, procurement of cloves, livestock development, cattle-feed manufacture, and distribution of chemical fertiliser, farm credit and consumer goods distribution. In 1995, 452 KUD had procured from the farmers a total of 189,333 tons of paddy/rice and 305 KUD had sold 151,247 tons to the Bulog. The supplies to the Bulog are gradually getting reduced due to: i) shortage of procurement funds; and ii) open market situation.

Horticulture products are procured by the private enterprises, e.g., PT Indofood, from KUD farmer-members through the Farmers' Groups. Autonomous groups within the KUD in the province organise marketing of horticulture products.

Milk is an important commodity which has become a 'profit centre' of KUD/cooperative business. There were a total of 202 KUD/milk cooperatives in the country in 1994, out of which 65 were in East Java (32.1%). Some of the KUD/milk cooperatives have formed their own sub-district business unions. During 1994, the share of East Java cooperatives was 31% in the national milk production, next only to West Java. Although there is a large number of beef and dairy cattle, not many KUD operate any slaughter houses or undertake meat business. The technological level of milk cooperatives in the province is relatively high.

The total business volume and total surplus of KUD in 1994 and 1995 was as follows:

Particulars	1994 (M.Rp)	1995 (M.Rp)
Total Business Volume	812,378	1288,478
Total KUD Surplus-SHU	12,972	13,224

The Puskud-East Java is a federation of 30 KUD/cooperatives. Its main business activities include: distribution of fertiliser, farm inputs, procurement of cloves on behalf of the Inkud, procurement of cassava and its processing, distribution of other consumer goods among the KUD. Its total business volume in 1995 was Rp 12,988 million and held assets worth Rp 57,186 million. Some of its subsidiary companies are: salt processing factory, cattle-feed factory, automotive workshop, coffee grading company, rice mill, and tempe (soyabeans) manufacture company. Its major source of income has been the commissions and fees.

Evaluation: KUD main business revolves around government-supported programmes: fertiliser distribution 39.7% (of turnover), very low in paddy procurement; 41.3% in fertiliser transportation (for Puskud) and 12.7% for sugar distribution (Puskud), and 2.1% in cloves procurement business (Puskud); Fees and commission received from government programmes form the core of KUD working capital; Milk (almost 35-37% of national production); livestock and other horticulture products are handled by KUD; KUD produce cattle-feed in addition to private producers, but distribution is inadequate as also it is low in nutritional value; No procurement, grading, processing and packaging facilities by KUD for horticulture products; All KUD-Member business transactions are highly cash-oriented; Lack of members' accounts settlement system.

Hampering Factors: Lack of ability to undertake marketing; Joint marketing, joint purchasing and joint-use facility concepts not vigorously implemented; Delayed payments including lack of members' accounts settlement systems; Lack of business information; Lack of marketing facilities; Inadequate working capital; Insufficient farm guidance; Insufficient business relationship with joint ventures in vegetables/fruits processing and cattle-feed manufacture; Inadequate service provision to members; Insufficient capacities for warehouses and retail outlets; Lack of business collaboration with business federations and enterprises for supply of consumer goods and farm inputs and equipments.

Possibilities: In order to help increase the income levels of farmer-members, KUD need to further develop their own economic business. For this the following possibilities exist:

- Increase production of higher quality milk;
- Provide higher technical levels of cooling capacity and speedy transfer of chilled milk to processing centres;
- Establish technology transfer for processing of fruits and vegetables;
- Establish methods for horticulture products price negotiations;
- Introduce joint marketing, purchasing and joint-use facility concepts;

- Computerisation of accounts and establishment of members' accounts settlement systems;
- Establish joint ventures to overcome shortage of working capital;
- Establish grading, packaging, storing and shipping facilities including service and maintenance workshops at KUD/district levels;
- Quality improvement and expansion of cattle-feed production facilities;
- Introduce and expand livestock/dairy cattle development and establishing calf nurseries;
- Establish business relations with secondary level federations/private enterprises for supply of consumer goods and farm inputs and equipments;
- Establish business information systems;
- Expand training of KUD leaders and managers in management and farm-related subjects;
- Training of managers through the private industry e.g., milk processing, cattle-feed manufacture, farm machines operations; and
- Expansion of member information activities at the KUD level.

**ECONOMIC BUSINESS: BASIC PLAN FOR
INTEGRATED DEVELOPMENT OF RURAL COOPERATIVES**

Background: East Java KUD are quite active in marketing and supply business which consists of: distribution of fertiliser, farm inputs, production and distribution of cattle-feed, supply of paddy/rice to Bulog, procurement and distribution of milk, fruits and vegetables, and distribution of consumer goods. Other economic business include: procurement of cloves, distribution of essential commodities and disbursement of farm credit. The total turnover of KUD during 1992 was Rp 853,562 million which rose to Rp 1288,478 million (150.8%) in 1995.

The KUD get credit from the government to purchase rice from the members. While during the year 1988-89, 457 KUD purchased 270,047 tons of paddy/rice, 452 KUD had purchased a total of 189,333 tons (70.1%) during 1994-95. East Java had procured 24.0% of the national procurement during 1994-95. The 507 KUD had sold a total of 737,561 tons of paddy/rice to the Bulog during 1988-89, while during 1994-95 the sale to the Bulog was 151,247 tons (20.5%). The Bulog started reducing the purchase of rice due to open market situation.

Except for a few KUD, marketing of horticulture products is done by the members themselves through the farmers' groups and autonomous groups within the KUD. The main consumption areas are Surabaya, Bali. Procurement of cloves is a government programme and it helps improve KUD working capital through commissions and fees. Total production in 1993 was 6,094 tons. The entire procurement was handed over to the Puskud.

Milk has become a 'profit centre' of KUD/milk cooperatives. The production in 1990 was 118.0 million kg, which rose to 131.7 million kg in 1994 (111.8%). East Java cooperatives' share in national collection was: 40.0 in 1990, 35.0% in 1993 and 36.5% in 1994. The share of provincial cooperative milk in the national cooperative milk production was 91.8% in 1994. Many KUD/milk coops are taking up milk and livestock development business (cattle-fattening and calf-rearing). New secondary level cooperative milk business federations have been formed e.g., KPUB Sapi Jaya. The GKSI provides technical, processing and marketing support to its member-affiliates. Cattle-feed is manufactured by KUD/milk cooperatives and 11 major formulators including the Puskud.

There were 466 retail outlets operated by KUD. The 30-member Puskud-East Java is engaged in the distribution of fertiliser, sugar, wheat flour, cement and some Bulog material. It also deals in livestock development.

KUD, however, suffer from various problems e.g., shortage of working capital, lack of marketing opportunities, lack of business linkages, lack of technology, inadequate business information, inadequate financial management methods and techniques, lack of 'value addition' methods and opportunities, lack of training managers, and inadequate member education activities.

Basic Plan for Economic Business Development: The following plans are suggested:

- To overcome shortage of working capital KUD should adopt joint marketing, joint purchasing and joint-use facility concepts e.g., cattle-feed manufacture, livestock/dairy cattle development, calf nurseries, vegetables and fruits handling, grading, packaging shipment and processing;
- Establish business linkages (procurement, delivery and price negotiations) with private enterprises for supply of consumer goods for waserdas, farm inputs and farm machines and their maintenance;
- Establish joint ventures with private enterprises in fruits and vegetables collection, grading, processing, shipment and marketing;
- Establish medium-size milk processing units to serve local markets and to handle surplus milk using a common brand name;

- Establish and strengthen members' accounts settlement systems by using computers;
- Establishing a business information system.

05 WEST NUSA TENGGARA

ECONOMIC BUSINESS

Present Situation and Evaluation including Hampering Factors and Possibilities

Present Situation: In the low-rain province, farmers need more of water and fertiliser. Fertiliser distribution still remains to be the principal business of KUD. During 1995 a total of 90,760 tons of chemical fertiliser was distributed by 109 KUD. Farm chemicals, seeds and other farm inputs are available in the open market.

In 1995 there were 261 RMU, 147 rice drying units and 235 paddy drying floors in the KUD sector. A majority of drying floors and rice milling machines are damaged and are not in use due to low maintenance and under-utilisation. The quality of milled rice does not, therefore, meet with the quality standards of Bulog and is therefore often rejected. KUD do not own any cold stores or any other agro-processing units. Some KUD possess facilities for cleaning and storing facilities for cloves, cashew nuts and rattan. There were 127 KUD retail outlets (waserdas).

Principal business of the KUD in West Nusa Tenggara, among others, are procurement of rice, cloves, corn, cassava, cash crops like coffee, coconut, rattan and cashew nut, distribution of chemical fertilisers, farm credit and consumer goods. During 1995 a total of 28,948 tons of paddy/rice was purchased by the 79 KUD from farmer-members and a total of 9,002 tons was sold to the Bulog by 34 KUD.

All cash crops move out of the province for further processing and marketing. Primary processing of coconut, rattan and tobacco is done locally by some private companies. Raw rattan is harvested by the members and delivered to the KUD (KUD Karya Utan) which delivers the material to a private company for further processing and marketing. The KUD, in fact, serves as a collection agent. (This KUD is also engaged in the marketing of fish at the local level). Cloves is handed over to the Puskud for the national buffer stock. Some private companies have their own livestock facilities and poultry farms to serve the high consumption area of nearby Bali Island and East Java. There is no cattle-feed production and dairy activity in the province. There are some very traditional privately-owned slaughter houses.

The total business volume and total surplus of KUD in 1992 and 1995 was as follows:

Particulars	1992 (M.Rp)	1995 (M.Rp)
Total Business Volume	71,644	54,405
Total KUD Surplus-SHU	565	792

The Puskud-West Nusa Tenggara (established 1987) is a major cooperative business organisation to which 126 KUD/cooperatives are affiliated. Its business activities include: procurement and supply of paddy/rice, rice milling, distribution of fertiliser, sugar and other essential commodities, collection of cloves, coffee, pumice stone (Batu Apung) and other farm products and distribution of consumer goods. It has business joint venture with PT Goro, a private wholesale enterprise. Its total sales during 1995 were Rp 3,158.4 million. The Puskud gets fertiliser distribution fee which constitutes a major share of its working capital. It also collects fees for distribution of other commodities.

Evaluation: KUD main business revolves around government-supported programmes: Fertiliser 22.9% (of the total turnover) (38.6% in the case of KUD Karya Utan), paddy 13.6% (31.3% for KUD Karya Utan), procurement of cloves 95.8% (for Puskud), and disbursement of farm credit; Fees and commissions received form the core of KUD working capital; No procurement, grading and processing facilities for rattan, coconut, tobacco and cashewnut (important products of the province); RMU, drying floors and warehouses are extensively damaged due to low maintenance and under-utilisation; Transportation grossly inadequate; Due to inadequate rainfall, land tilling and other farm machines are in great demand; No joint marketing, joint purchasing and joint-use facility concepts adopted; Livestock development, tobacco, corn and horticulture have strong potentials.

Hampering Factors: KUD have not been able to diversify their economic business mainly because of serious lack of working capital, access to market, low level of rainfall, lack of irrigation facilities, serious lack of farm implements and rice processing facilities. Many of the KUD have out-dated paddy milling machines, extensively damaged paddy drying floors and lack of transportation equipment. A number of transmigrants from Bali and Java have introduced some paddy cultivation and cash crops, but their impact is very low to be economically felt. KUD leadership is inactive because of limited range of business transacted. Some of the KUD face problems of collection and processing facilities, especially in the case of rattan, cashew nut, coconut and honey. The topography is hilly and water sources scarce. No joint ventures have been established in handling and processing of main crops of the area e.g., corn, cassava, coconut to be used for cattle-feed production.

Possibilities: In order to increase the income levels of farmer-members, KUD need to further develop their own economic business. For this the following possibilities exist:

- Introduce concepts of joint marketing, joint purchasing, joint-use of capital and joint-use facilities;
- Establish joint ventures in processing to overcome shortage of capital;

- Develop linkages with secondary level business federations/KUD and private enterprises to facilitate marketing of members' produce;
- Establish cattle-feed production using locally available products e.g., corn, cassava, coconut;
- Establish joint ventures in processing of rattan, cashew nuts through establishment of collection centres and transportation;
- Increase technical condition and increase the number of rice mills and warehouses;
- Enhance quantity and capacity of farm implements e.g., land tillers;
- Develop business information systems in collaboration with secondary organisations;
- Expand training of KUD leaders, managers and key members in farm-related subjects;
- Training of managers through private industry e.g., rattan processing, farm machines operations; and
- Substantially expand the member information and education activities at the KUD level.

ECONOMIC BUSINESS: BASIC PLAN FOR INTEGRATED DEVELOPMENT OF RURAL COOPERATIVES

Background: KUD economic business moves around distribution of fertiliser, farm chemicals, procurement and distribution of paddy/rice, consumer goods and farm implements, disbursement of farm credit, and handling some minor forest products e.g., rattan, cashewnuts and honey. Other business includes: procurement of cloves, and distribution of essential commodities. The total turnover of KUD during 1992 was Rp 71,644 million and in 1995 it was Rp 54,405 million (75.9%). The total surplus rose from Rp 565 million in 1992 to Rp 792 million (140.1%) in 1995.

Fees and commissions received from marketing of fertiliser has been an important component of KUD working capital. The percentage of marketing of fertiliser as compared with the total turnover of the KUD, on an average, was 22.1% (in the case of KUD Karya Utan it was 41.2%). During 1988-89 a total of 98 KUD had purchased 70,380 tons of rice, whereas in 1994-95, a total of 79 KUD has purchased 28,948 tons (41.13%). 93 KUD had sold 92,356 tons of rice to the Bulog during 1990, while 34 KUD sold only 9,002 tons (9.7%) to Bulog during 1994-95.

Some of the KUD are engaged in procurement of rattan, cashewnuts, honey and fishing. They have, however, no basic processing facilities. The raw products are supplied to private companies for processing and marketing.

The Puskud is engaged in the procurement of cloves for the national buffer stock (54.9% of its 1995 total turnover). It owns some rice milling facilities and has recently entered into business partnership with PT Goro, a private wholesale company.

KUD suffer from a variety of problems: Acute shortage of investment funds to expand existing business; Due to dry and hilly terrain, marketing of farmers' products is difficult; market places located far away due to long distances; transportation problems; RMU, drying floors and warehouses are extensively damaged hence production is below Bulog standards; no facilities/technology available to KUD for primary processing of rattan, tobacco, cashewnut, coconut, coffee, cassava and corn.

Basic Plan for Economic Business Development: The following plans are suggested:

- Establish joint ventures and business linkages with private enterprises and secondary level cooperative organisations to overcome shortage of working capital in respect of processing of rattan, coconut, cashewnuts, cattle-feed manufactures;
- Improve technical quality of rice milling units including the drying floors, and warehouses and the transportation equipment;
- In view of large tracts of land available introduce livestock development - beef/dairy cattle, and poultry farms to meet the demands of high consumption areas of East Java (Surabaya) and Bali Island;
- Establish medium-size cattle-feed production units using the locally-available raw material e.g., cassava, rice bran, copra residues, corn;
- Introduce the concepts of joint marketing, joint purchasing and joint-use facilities (farm implements and machines).

06 SOUTH KALIMANTAN

ECONOMIC BUSINESS

Present Situation and Evaluation including Hampering Factors and Possibilities

Present Position: Distribution of chemical fertiliser still remains to be the principal business of KUD in the province. During 1995 a total of 29,839 tons of urea was sold to the members by 28 KUD. Farm chemicals, seeds and other farm inputs are available in the open market.

In 1995 there were 29 rice milling units, 70 rice dryer units and 33 warehouses with paddy drying floors. A majority of rice milling machines are either not in working condition or are under-utilised. The milled rice does not meet with the quality standards of the Bulog and are often rejected. Some of the KUD have drying floors and warehousing facilities for cloves, groundnuts, coconut, rubber and coffee beans. There were a total of 221 KUD retail outlets (waserdas).

Principal business of the KUD in South Kalimantan, among others, are procurement of rice, cloves, corn, cassava, coal mining, cash crops like coffee, coconut, farm credit, and consumer goods distribution. During 1995 a total of 4,396 paddy/rice was purchased from the members by 54 KUD, and a total of just 49 tons was supplied to the Bulog by 2 KUD.

All cash crops move out of the province for further processing and marketing. Primary processing of groundnut, coconut, cassava, rubber, coffee beans is done locally by some of the private companies. Whatever quantity of cloves is produced (6,823 tons in 1994) and procured by the KUD is handed over to the Puskud for the national buffer stock. There is no significant processing business for livestock, poultry and horticulture. Most of the slaughtering facilities are operated by the government, and the entire production is consumed locally. There is no dairy activity in the province.

The total business volume and total surplus of KUD in 1994 and 1995 was as follows:

Particulars	1994 (M.Rp)	1995 (M.Rp)
Total Business Volume	43,224	44,362
Total KUD Surplus-SHU	1,400	1,626

The Puskud-South Kalimantan (established 1975) is a major cooperative business organisation to which 160 KUD/cooperatives are affiliated. The business activities of the Puskud include: procurement and supply of paddy/rice, distribution of fertiliser and sugar and other essential commodities, procurement of cloves for the buffer stock and to provide development support to its affiliates. The total sales of the Puskud in 1995 were Rp 81.3

million (5.6% of the total turnover). It collects commission/fees for the supply of fertiliser and cloves which form a significant part of its total working capital.

Evaluation: KUD main business revolves around government-supported programmes: Fertiliser 50.1% (of turnover) (highest being 97.0% for KUD Tungtung Pandang), paddy 17.1%, cloves 6.4% (for Puskud), and farm credit; Fees and commissions received form the core of KUD working capital; No processing of oranges undertaken by KUD (a major product of the province); Farm machines, transportation equipment grossly insufficient; Transportation of goods difficult due to low-lying areas and inadequate surface roads; All KUD-Member business transactions are in cash; No joint marketing, joint purchasing and joint-use facility concepts adopted.

Hampering Factors: Due to geographical conditions and inadequate infrastructure facilities access to market is difficult; No joint ventures have been initiated even in prominent local commodities e.g., rice, oranges, livestock and cattle-feed manufacture; Serious lack of working capital; Lack of understanding of joint marketing, joint purchasing and joint-use facility concepts; Low technology in rice handling and processing; Lack of training and development of KUD leaders and managers; and Serious lack of member education.

Possibilities: In order to increase the income levels of farmer-members, KUD need to further develop their own economic business. For this the following possibilities exist:

- Improve working capital through establishing joint ventures and by mobilising savings;
- Introduce concepts of joint marketing, joint purchasing, joint-use of capital and joint-use of facilities;
- Strengthen business linkages with secondary level business federations/KUD and private enterprises;
- Introduce members' accounts settlement systems;
- Encourage production/processing and local material e.g., horse rash, fruits and vegetables;
- Enhance shipment facilities e.g., motor boats;
- Improve supplies for retail outlets;
- Strengthen training of KUD leaders and employees; and
- Strengthen member education activities for their active participation in business of their KUD.

ECONOMIC BUSINESS: BASIC PLAN FOR INTEGRATED DEVELOPMENT OF RURAL COOPERATIVES

Background: Principal economic business of the KUD consists of distribution of fertiliser, farm inputs, procurement and distribution of paddy/rice, farm credit, and consumer goods. Other business include: cloves, distribution of essential commodities, coal mining etc. The total turnover of KUD in South Kalimantan in 1992 was Rp 34,303 m which went up to Rp 44,362 m (129.3%) in 1995. Similarly the total surplus (SHU) rose from Rp 926 m in 1992 to Rp 1,626 m (175.5%) in 1995.

Fertiliser and farm chemical distribution form a major portion of marketing business of KUD. On an average, fertiliser business formed 50.1% of the total turnover of the KUD. In 1988-89 a total of 39 KUD had sold 6,083 tons of rice to the Bulog, while in 1994-95 only 2 KUD had sold just 49 tons (0.8%). On an average paddy marketing business formed 17.1% of the total marketing business of KUD. A total of 6,823 tons of cloves was purchased by the Puskud in 1994-95 through the KUD network.

Some of the KUD are engaged in coal mining business on contract basis. KUD business is not diversified being mainly restricted to paddy cultivation and some manual work. Access to market is difficult due to inadequate transportation facilities.

The major business of 160-member Puskud is cloves. Its total turnover during 1995 was Rp 1,426 million and a total surplus of Rp 64 million.

Main problems faced by KUD include: Acute shortage of working capital; lack of facilities and technology to procure and process local fruits e.g., oranges and some fresh vegetables and fruits; inadequate rice milling, drying floors and warehousing; insufficient transportation facilities e.g., motor boats.

Basic Plan for Economic Business Development: The following plans are suggested:

- Establish joint ventures and business linkages to overcome shortage of working capital to undertake procurement, handling and primary processing of oranges, rattan, coffee, lime stone and coal;
- Establish joint venture to develop livestock and poultry business (the provincial government has declared the development of broilers as one of the 'strategy commodities'), and cattle-feed production using the locally-available raw material.
- Introduce the basic business concepts of joint marketing, joint purchasing, joint-use facilities and joint-use of capital to improve the business of KUD through education and training of KUD leaders, managers and members.

07 SOUTH SULAWESI

ECONOMIC BUSINESS

Present Situation and Evaluation including Hampering Factors and Possibilities

Present Situation: Distribution of chemical fertiliser still remains to be a major business of KUD. During 1995, 228 KUD had distributed 212,943 tons. Farm chemicals, seeds for paddy, palawija and horticulture crops are available to the farmers in the open market. Paddy seeds are obtained by the farmers from a State-owned company, PT Seng Hyangseri.

During 1995 the KUD owned the following rice processing facilities and equipment: 296 RMUs, 208 rice drying units, and 680 drying floors. Some of the equipment have been imported (mostly from Japan) and some have been locally assembled. The KUD have received farm machines under OECF and Kennedy Round Programmes. The farmers purchase their farm equipment either through the KUD or from the open market. No cold stores or any other processing industrial units are owned by the KUD.

Principal business of the KUD in the province, among others, are rice procurement, procurement of cloves, procurement of cassava and its processing, cash crops like coffee, coconut, cocoa, livestock development, distribution of chemical fertiliser, farm credit and consumer goods. In 1995, 229 KUD had procured from the farmers a total of 191,837 tons of paddy/rice, and 203 KUD had sold a total of 146,676 tons to the Bulog. The supplies to the Bulog are getting reduced due to: i) shortage of procurement funds; and ii) open market situation. South Sulawesi is a major paddy producing area outside Java.

All cash crops move out of the province for further processing. Groundnut, coconut, and coffee is procured by the agents of the processing industry for shipment to processing units within South Sulawesi or on Java. Whatever quantity of clove is produced in the province (8,336 tons in 1994), it is procured by the Puskud through the KUD network for the national cloves buffer stock. Some of the agricultural products of the province were exported, as is explained below:

Commodity	Volume Exported (T)			Value Exported (US\$)		
	1994	1995	%	1994	1995	%
Cassava Chips	61,094	51,600	15.5	6.19m	7.37m	18.9
Markissa Syrup	144	198	37.7	0.10m	0.18m	84.8
Wheat Pollard	70,021	95,247	36.0	5.2m	8.44m	61.2
Coffee/Arabika	2,963	1,331	55.0	11.07m	4.41m	60.1
Coffee/Robusta	4,440	477	89.2	9.54m	1.45m	84.7
Cocoa	146,130	119,277	18.3	150.56m	134.16m	10.8

Other commodities exported were Cashew nuts, pepper, rubber, tea, molasses, copra.

No KUD in the province undertakes dairy, livestock development, meat production and poultry business.

The total business volume and total surplus of KUD in 1994 and 1995 was as follows:

Particulars	1994 (M.Rp)	1995 (M.Rp)
Total Business Volume	278,593	339,329
Total KUD Surplus-SHU	3,378	5,192

The Puskud-Hasanudin South Sulawesi (established 1974) is a major cooperative organisation to which 425 KUD/cooperatives are affiliated. Its business activities include: trading and providing services and credit in various sectors e.g., trading, services, cultivation, animal husbandry, fisheries, processing industry through its subsidiary organisations and also directly. Some of its facilities include: Rice Milling Units, coffee and cassava processing units, cocoon dryer units, silk show room, wholesale depot, fertiliser and sugar warehouses and a large size modern supermarket. It is regarded to be a dynamic and successful business cooperative. Its sales during 1995 were Rp 93,757.5 million (85.8% of its total turnover).

Evaluation: KUD main business revolves around government-supported programmes: fertiliser 22.7% (of turnover); paddy/rice 75.8%; cloves procurement 63.4% (for Puskud); 28.2% for sugar distribution (for Puskud); and farm credit disbursement; Fees and commissions received form the core of KUD working capital; KUD are not involved in 'value addition' activities even in key cash crops like coffee, cloves, rattan and coconut; KUD are also not engaged in the business of poultry, cattle-feed production, meat production, livestock development; All KUD-Member transactions are in cash; Farm machines, transportation equipment are insufficient; and the Puskud handles processing of key commodities and is engaged in export and import business.

Hampering Factors: KUD in the province suffer from Acute shortage of working capital; Lack of understanding and application of joint marketing, joint purchasing, joint-use facilities and joint-use of capital; Lack of marketing access and facilities; Low technology in rice handling and processing; Absence of members accounts settlement systems; Lack of farm machines and implements servicing; Absence of branding; Insufficient guidance on farm management, planning and better-living; Insufficient capacities for warehouses and retail outlets; Lack of business information systems; and Lack of business collaboration with their business federations.

Possibilities: With a view to increase the income levels of farmer-members, KUD need to further develop their own economic business. For this the following possibilities exist:

- Improve quality and quantity of paddy/rice by providing higher levels of technology in production, processing and marketing;

- Establish joint ventures in processing of local fruits and cash crops e.g., markissa, coffee, cocoa, coconut etc.;
- Establish methods of price negotiations;
- Introduce joint marketing, joint purchasing and joint-use facility concepts;
- Increase business collaboration and joint ventures with private enterprises to overcome shortage of capital;
- Establish maintenance services for transport equipment and farm machines at KUD/District levels;
- Introduce cattle-breeding and enhance cattle-feed manufacture using local materials e.g., corn, rice bran/straw, cassava;
- Collaborations with private enterprises to secure quality and timely supplies of consumer goods and farm inputs for retail shops and TPK;
- Establish business information systems;
- Introduce computerisation for business management and to settle members' accounts;
- Expand training of KUD leaders and managers in management and farm-related subjects; and
- Expansion of member information and education activities at KUD level.

**ECONOMIC BUSINESS: BASIC PLAN FOR
INTEGRATED DEVELOPMENT OF RURAL COOPERATIVES**

Background: Outside Java, the KUD in the province are quite active not only in rice procurement but also in marketing and supply business. It is also a major rice growing area outside Java. The total turnover of KUD in the province during 1992 was Rp 207,407 million which rose to Rp 339,329 million in 1995 (163.7%). Similarly the total surplus (SHU) which in 1992 was Rp 1,871 million rose to Rp 5,192 million in 1995 (277.4%). Following the rice business, fertiliser distribution is another major business of the KUD. While in 1990 a total of 111,866 tons of all types of fertiliser was distributed by 258 KUD, it was 212,943 tons (190.1%) by 228 KUD in 1995. KUD receive commission for distribution of fertiliser.

KUD get credit from the government for purchase of paddy/rice from the farmers for supply to the Bulog. While during 1988-89, 243 KUD purchased a total of 141,536 tons of paddy/rice, 229 KUD in 1994-95 had purchased a total of 191,837 tons (135.5%). The sale of paddy/rice to Bulog has decreased. 258 KUD in 1988-89 had sold a total of 273,483 tons to the Bulog, but in 1994-95 only 146,676 tons (17.0%) was sold by 203 KUD.

KUD also procured cloves (around 8000-9000 tons per year) for the Puskud for national stock. Cloves business formed 62.8% of the total sales of Puskud during 1995. Some of the commodities like coffee, cocoa, cassava chips, and wheat pollard are exported through cooperative channels.

KUD, however, suffer from lack of working capital, marketing opportunities of their products, lack of business linkages, lack of technology, inadequate business information, inadequate financial management methods and techniques, lack of 'value addition' methods, lack of trained managers, and inadequate member education activities.

Basic Plan for Economic Business Development: The following plans are suggested:

- Develop composite rice handling centres in some selected areas as models to improve its quality and marketing. Some of the KUD have low-capacity RMU and they are unable to cope with the paddy supply. The rice centres could meet such demands;
- Encourage smaller KUD to make use of the large rice milling capacity of the Puskud thereby enabling the KUD to market more of their rice - to the Bulog and in the open market;
- Establish new and more efficient rice mills at selected KUD together with warehouses, paddy drying floors, rice polishers, transportation equipment and other infrastructure support;
- Development of collection and processing facilities for coffee, cocoa, coconut through technological inputs and upgradation of the existing facilities;
- Intensification of poultry and livestock development programmes at the KUD level by the KUD themselves and in collaboration with the existing private enterprises on a joint venture basis to overcome the shortage of working capital;
- Improvement and expansion of cattle-feed manufacture using local material e.g., rice bran, straw, corn for dairy/beef cattle and poultry;
- Introduce conversion of broken rice, corn and mungbeans through simple machines and local processes into food consumption items (cookies and cakes etc.) for local markets;
- Establish farm machines maintenance centres and automobile repair workshops at the KUD or district level;
- Introduce concepts of joint purchasing, joint marketing and joint-use facilities and establish linkages with private enterprises on joint venture basis;

- Intensify education and training of KUD leaders, managers and cooperative members to ensure their participation in the KUD business.

SUMMARY
OF PRESENT SITUATION, EVALUATION,
HAMPERING FACTORS AND POSSIBILITIES
INCLUDING THEIR INTEGRATED DEVELOPMENT PLANS
[Selected KUD]

01 KUD MUKTI TANI

ECONOMIC BUSINESS

Present Situation and Evaluation
including Hampering Factors and Possibilities

Present Situation: Principal business of the KUD are: milk collection, its cooling and transportation, feed manufacture and its supply, savings and loans, waserda, farm credit supply and fertiliser distribution. During 1994, 1995 and 1996 the economic situation of the KUD was as follows:

Particulars/Rp	Year 1994	Year 1995	Year 1996
Total Sales	1,919.9m	2,024.1m	3,864.2m
Total Purchases	1,503.7m	1,609.7m	3,400.7m
Own Capital	285.9m	308.8m	339.3m
Outside Capital	548.7m	524.7m	539.1m

100% of dairy farmer-members market 100% of their milk with the KUD. Milk marketing formed 46.1% of purchases of 1994, 44.0% of 1995 and 28.8% of 1996. Fresh milk is collected from 20 centres and supplied to IPS and GKSI in Jakarta and Bandung. The total milk marketed by members to the KUD in 1996 was 1,777 tons. At times the surplus milk is sold locally. The value of milk sold to the IPS in 1996 formed 34.2% of KUD total sales. Except for cooling no other processing is done. The KUD has requisite cooling facilities, although they are outdated.

It has an outdated (locally-manufactured in 1988) feed-mixing plant of 2 tons/hour capacity. There is no qualified formulator. The product quality is low and unable to meet local requirements fully. Ingredients are obtained through suppliers. During 1996 the total sale of feed was Rp 712.3 million - 18.4% of KUD sales.

The KUD supplied 1,500 dairy cattle to members on credit (85.8% survived). The number in 1996 was 1,288 dairy cows. Farmer-members prefer to rear locally-developed dairy cattle which are cheaper and easy to maintain. AI facilities and other animal husbandry services are provided by the KUD in collaboration with the government agencies.

The retail outlet (waserda) business is weak. The KUD has recently started a mobile retail shop van which visits milk collection centres. The sales of waserda during 1996 were Rp 16.6m (0.4% of KUD total sales). In 1996 the sale of chemical fertiliser was worth Rp 675.4 million. It earned Rp 7 million as commission. The ratio of fertiliser sales to the total sales was

as follows: 10.9% in 1994, 13.5% in 1995 and 17.4% in 1996.

Application of outside capital in the business operations is high as compared with its own capital - the outside capital in 1994 was 191.9% of own capital, in 1995 it was 169.9% and in 1996 it was 158.9%. The sources of working capital have been the commercial banks viz., BCA, Bukopin, BNI, fee collected from government-supported programmes and commissions received from electricity bills handling service.

The KUD enjoys monopoly on procurement and supply of fresh milk and production and distribution of cattle-feed. Because of the low quality of cattle-feed milk production and its quality is low. Farmers purchase their feed requirements also from outside sources.

Although there is a strong potential for horticulture business, the KUD has not taken up this business. It had tried to handle this business during 1986 and 1987, but had to withdraw after suffering losses. Major horticulture products of the area include: cabbage, celery leaves, potato, buncis, tomato, and papaya. Major consumption area is Bandung.

Evaluation: The main business of this highland KUD is milk, cattle-feed production and distribution, distribution of credit dairy cows, distribution of consumer goods and fertiliser. Milk marketing formed 46.1% of KUD purchases of 1994, 44.0% of 1995 and 28.8% of 1996. 1,774 tons of milk was supplied to the IPS/GKSI during 1996. Milk yield per cow is low mainly due to: i) low quality of feed, ii) low level of animal husbandry services; and iii) all dairy cattle are not fed with concentrate. Cattle-feed sales were 18.4% and fertiliser sales 17.4% of the total sales. KUD has not taken up horticulture business which has been a strong potential of the area. The KUD requires additional working capital to expand its business.

Hampering Factors: Fluctuating level of milk production due to shifts in farmers' occupations; Imported dairy cattle are expensive and difficult to maintain; Locally-developed cattle are normally not available on credit; Feed manufactured is not sufficient in quantity and quality due to old mixing plant; Outdated milk cooling equipment and inadequate shipment facilities; Absence of 'value addition' in milk business; Surplus milk is sold at low price in local open market; KUD unable to provide animal husbandry services; Farmers ignorant on pattern of feeding the dairy cattle; Inadequate members' accounts settlement systems; Lack of diversification of KUD business.

Possibilities: It is possible to improve the quantity and quality of milk through production of more nutritious feed; Establish a more efficient feed production facility; Engage a more qualified and experienced feed formulator; Encourage members to establish cattle rearing and fattening facilities; Raise calf in nurseries; Establish a small milk processing facility supported by more of collection and cooling centres, and increase shipment capacity; Provide more of animal husbandry services; Initiate horticulture

business in view of existing potentials and members' main business; Strengthen controls on business operations through the use of computers; Expand retailing business. Overcome shortage of capital through creating joint-use facilities e.g., cattle-feed manufacture, milk cooling, processing and shipment.

Relationship with PUSKUD

Although the KUD Tani Mukti is an affiliate of the Puskud, the KUD has no business linkages with it. It receives a small quantity of chemical fertiliser from the Puskud. According to the KUD, the Puskud could and should provide all logistic support e.g., supply of business information, supply of raw materials used for cattle-feed manufacture, marketing of farm tools and handicrafts materials, seeds and guidance for horticulture production. The Puskud could also support the KUD in the procurement of consumer goods for the waserdas.

KUD INTEGRATED DEVELOPMENT DETAILED PLAN

Present Situation, Problem Areas and Evaluation of KUD Tani Mukti

Principal components of economic business of the KUD, among others, are milk collection, its cooling and transportation, feed-supply, savings and loans, supply of consumer goods, institutional credit channelling, electricity fee collection, fertiliser distribution and rice procurement for the government food-stock. Main business of majority of its 5,500 full members is dairy farming and horticulture production.

On an average, the gross agricultural income of a household in Tani Mukti area constitutes 95% of its total income. 61.6% of the gross agricultural income is spent on production-related expenses. In the case of Tani Mukti the agricultural income of the households was as follows: Rice-13.5%, Livestock/Dairy-52.9%, Fruits and vegetables-21.7%, cash crops-11.1%.

Since the major produce of the members has been milk, 40% of the households sold their products to the KUD Tani Mukti, rest of them sold to the private milk collectors. Horticulture was another important business of the members.

The facilities with the KUD are very limited and traditional.

The KUD does not engage in livestock development activities. It does not provide any advisory or consultancy services to the dairy farmers except for occasional check-ups, and supply of cattle-feed. The technological level of milk handling is traditional.

The feed mixing plant is old and produces low quality material. Its production capacity is 500kg per hour. The ingredients are of low grade.

The business condition of the KUD during 1995 was as follows:

-Total Business Volume	Rp 1,964.0 million
-Total Reserves (SHU)	Rp 40.8 million
-KUD Owned capital	Rp 103.0 million
-Outside Capital	Rp 446.2 million
-Total Assets	Rp 3,924.0 million
-Total Institutional Loans Outstanding	Rp 160.0 million
-Total Member Loan (Bank Channelling)	Rp 1,524.0 million
-Total Members Loans (Internal S/P)	Rp 5.0 million
-Member Savings	Rp 127.8 million
-Initial Savings	Rp 8.4 m
-Voluntary Savings	Rp 47.1 m
-Compulsory Savings	Rp 72.3 m

The business volume of the KUD has not undergone any significant change since 1990. The main reason could be the inability of the cooperative to expand its milk handling and cattle-feed business although there is a great potential for development. This can be due to the following reasons:

Lack of working capital: Farm-members prefer to receive payments for the milk delivered in cash. There is no incentive for the members to save with the cooperative because of negligible rate of interest given, and borrowing capital from outside sources is expensive.

Lack of capability in providing services to the members. The existing feed-mixing plant is old, out-dated, small in size and inefficient. Animal husbandry services are not provided. No support is provided to the members in cattle-rearing. Inadequate equipment to handle milk, its cooling and transportation to delivery points in Bandung and Jakarta. It has only one transfer tanker.....the tanker was purchased (?) on hire-purchase, or gifted by the GKSI or from other sources.

Lack of diversification of business e.g., horticulture, waserda, kiosk and fertiliser distribution. The waserda is too small and stocks very little range of merchandise. Although the cooperative is located very close to the main road, its retail outlet is located in an obscure place.

Hampering Factors and Possibilities Marketing and Supply Business

Although the Cooperative area is milk producing area, yet the patronage by the dairy farmers is low - 40% of the households sell their milk to the cooperative - a major percentage patronise the private milk collectors. This is because of the low infrastructure available with the cooperative, delayed milk payments, and inability of the Cooperative to provide supporting economic and other services to the farmer-members. The milk payments are made only when the Cooperative receives payment from the milk factory. Cooperative is unable to make payments in time due to its weak working capital base.

Farmer-members received limited supplies of cattle-feed from the cooperative because of its low availability, and low quality ingredients used.

The cooperative has not undertaken any other major economic business e.g., horticulture, livestock development, upgrading of feed-mixing plant, and the retail outlet.

Linkage with Puskud

The Puskud has no major economic business with the Cooperative. The Puskud could supply cattle-feed ingredients in sufficient quantities and in good time. The GKSI does not have sufficient capacity to supply the cattle-feed and other equipments.

INTEGRATED DEVELOPMENT DETAILED PLAN Marketing and Supply Business

In view of the fact that:

- the cooperative does not have sufficient capital base,
- borrowing from the open market is expensive,
- inadequate milk handling and transportation facilities,
- insufficient support to the farmers on livestock development,
- outdated cattle-feed mixing plant,
- absence of joint marketing, joint purchasing and joint use facilities,
- inadequate retail outlet facilities, and
- no incentives for savings,

the cooperative needs to improve its business conditions by improving and introducing new business practices. An integrated business development plan is needed for the cooperative to be able to serve its members.

This can be done by:

- 01 Meeting the demands of the members for the supply of good quality of cattle-feed by improving the existing feed-mixing plant through renovations or by adding new machines; and investing in good quality ingredients. Better feed will result in higher quality and quantity of milk;
- 02 Nearby cooperatives e.g., Pasir Jambu, could be contacted to establish a higher capacity feed-mixing plant to reduce quantum of capital requirements;

- 03 Cooperative to provide services in livestock development by creating cattle-sheds, and additional capital on easy interest rates;
- 04 Expanding the milk handling and milk transfer equipments by improving or adding new equipment. Arrangements for joint-use facilities be discussed with neighbouring cooperatives e.g., KUD Pasir Jambu
- 05 To expand and strengthen capital base, the cooperative needs to provide incentives to farmer-members to mobilise more savings;
- 06 To negotiate with the wholesale suppliers to obtain supplies for the waserda on easy credit;
- 07 To inculcate confidence and trust among the members, all transactions with the members should be routed through the books of the cooperative, and cash handling be reduced to the minimum. This practice will generate some savings in members' accounts.

ECONOMIC BUSINESS

Detailed Integrated Development Plan for Model KUD

Although the KUD serves as a good economic entity for the members, it has as yet not emerged as a major economic enterprise through which the members could satisfy all their needs. It has gradually emerged as a single-purpose milk cooperative. Milk is a perishable commodity and has, therefore, to be handled quickly and more carefully. The returns are quick. The KUD has not branched itself into other business e.g., livestock development, distribution of consumer goods, handling of horticulture business.

To enable the KUD to become a model, the following components are suggested to be included in its integrated development plan:

- A. **Establishment of a Dairy Cow Rearing Facility:** Rearing the new-borns to their maturity, reproduction of dairy cows, development of dairy bulls and dairy steer; Development of local cattle which are relatively cheaper for the farmers to own and look after; and production and marketing of compost.
- B. **Establishment of a Small Milk Processing Facility:** For processing and marketing surplus milk; emphasis on the concept "producer higher quality and quantity of milk with less investment"; No milk brought by the farmer is rejected; and Ensure that the farmers remain within the profession to maintain constant supplies.
- C. **Establishment of a Cattle-Feed Mixing Plant:** Improve, remodel and, if necessary, reconstruct a more efficient cattle-feed mixing plant; Feed blending to be done by a qualified technician; Provide extension to farmers on

feeding patterns.

- D. **Introduce Horticulture Business:** 35% of the farmers' income is derived from dairy, rest of the income comes from horticulture and other business. Farmers find it difficult to market their produce. The KUD could negotiate deals on behalf of the farmer-producers for specialised products and market the produce on their behalf. The KUD could negotiate joint marketing in association with neighbouring cooperatives.
- E. **Establish and Strengthen Members' Accounts Settlement System:** To ensure transparency and controls on business transactions, greater use of computers is suggested. Cash transactions of higher values be avoided. Payments to the members be made through their accounts in the KUD, also to help increase members' savings, thus contributing to the working capital of the KUD.
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02 KUD WALATRA

ECONOMIC BUSINESS

Present Situation and Evaluation including Hampering Factors and Possibilities

Present Situation: The main economic business of KUD Walatra consists of: horticulture, savings and loans, and distribution of fertiliser. During 1994, 1995 and 1996 the economic situation was as under:

Particulars/Rp	Year 1994	Year 1995	Year 1996
Total Sales	1,142.2m	1,609.1m	1,991.7m
Total Purchases	1,106.7m	1,530.2m	1,814.5m
Own Capital	362.2m	244.3m	309.9m
Outside Capital	117.4m	1,037.5m	2,717.1m

Main products of the area have been potato, tomato, green beans, cabbage and other leafy vegetables. 20-25% of the members produce potato. Out of 62 KTs (farmers' groups) 42 groups (67.7%) are exclusive potato groups. 8 special groups cultivate 'Columbus variety' of potato on a contract basis for a State-owned company, PT Sucofindo for exports. The company provides the farmers' groups with imported seeds, farm technology and guidance. The contract is worth approximately Rp 480 million per year. The KUD receives a commission on the deal. During 1996, the total production of potato of all varieties was 10,800 tons. Main buyers are private food processors e.g., Indofood, Fosters, Hunts etc. 10% of the production goes for exports.

The value of horticulture products marketed by the farmer-members with the KUD during 1994, 1995 and 1996 has significantly increased as compared with the year 1994 - the 1995 business was 237.5% and 1996 business was 579.1% of 1994 business. During 1996 the horticulture business formed 7.6% of KUD total purchases. The KUD does not supply the products to the local market - it is all for exports. The KUD does not have any facilities and technology to hold, grade, pack or forward horticulture products sold to it by the members. It only negotiates deals with the private traders. The products are picked up by the buyers from production points. The payments are routed through the KUD. It receives a commission on the deals. During 1992 and 1993 a consignment of tomatoes was sent to Singapore through an exporter. In 1994, four containers of Chinese Cabbage were supplied for export to Taiwan, and in 1995 Chinese Cabbage, Pecay, Potato, Lobak and Tomato for Singapore, Malaysia and Taiwan markets were supplied to exporters.

While the horticulture business of the KUD in 1994 was just Rp 27.7 million, it went up in 1995 to Rp 60.7 million (217.8%), and in 1996 reached Rp 184.7 million (660.7% of 1994 business). There is a great demand for a quality potato for processing into sticks, fingers, chips and flour. However, due to lack of

required quality seeds of processable potatoes, this demand is not met. With the technology recently imparted by the Pangalengan-based Potato Seeds Multiplication Project, supported by JICA, farmers have begun to use improved seeds. These seeds are 60% cheaper than the imported variety.

Fertiliser distribution business adds a significant portion to the KUD working capital. During 1996, the sale of fertiliser was Rp 1,773.5m, which was 89.0% of KUD total sales. Due to recent increase in the price of fertiliser, and the shortage of funds, the KUD has not been able to lift all the quantities that were allocated. The farmers have also been buying their requirements from the open market.

Evaluation: The highland KUD is a major economic organisation providing marketing and purchasing services to the farmer-members. The KUD works as a procurement agency for trading houses for procurement of potatoes and other vegetables, mainly intended for exports. It does not have any market place, grading, warehousing and shipment facilities. The entire business is routed through the farmers' groups. The area presents substantial business opportunities for expanding potato business in view of the new varieties now available which are suitable for fast-food outlets. It has, however, not tapped potential markets e.g., local vegetable market, bulk buyers in Bandung and Jakarta and even the fast food outlets. This was mainly due to the following reasons: i) shortage of funds; ii) lack of facilities e.g., grading, warehousing and transportation; and iii) perishable nature of the commodity. It has been able to mobilise some funds through members' savings. Outside capital is considered to be too expensive to be employed in the business of horticulture.

Hampering Factors: Acute shortage of working capital for expanding horticulture business, especially processing; Due to perishable nature of the commodity, high value credit is risky to be used; Inadequate utilisation of local vegetable market; Marketing support provided only to a handful of members; No joint collection, grading and shipment facilities; Lack of funds for providing credit for specifically-requested crops. Inadequate market information; Inadequate members' accounts settlement systems.

Possibilities: Through joint ventures and business linkages with private enterprises facilities for procurement, processing and marketing services can be established; Processing of potato and its marketing with fast-food companies and other bulk buyers; Distribution of improved variety of seeds; Establish market information in collaboration with secondary level organisations; and Establishing effective controls on business through use of computers.

Relationship with PUSKUD

KUD Walatra, an affiliate of the Puskud, has no significant business linkages with the Puskud-west Java. The Puskud, following its agreement with the PT Pusri and in accordance with

the government regulations, provided transportation of chemical fertiliser from the PT Pusri's warehouse to the KUD warehouse and distribution of sugar.

The Puskud, according to the KUD, could and should provide all logistic support e.g., supply of business information, seeds, and guidance for horticulture production. The Puskud could also support the KUD in providing technical and financial support in establishing a waserda/retail outlet.

KUD INTEGRATED DEVELOPMENT DETAILED PLAN Present Situation, Problem Areas and Evaluation of KUD Walatara

Principal components of economic business of the KUD, among others, are: supply of fertiliser (monopolised) savings and loans, institutional credit channelling, electricity charges collection, TV fee collection, telecommunication services, Main business of majority of its 4,360 full members and 5,760 candidate members (total membership-10,120) is horticulture production. Many members also deal in milk business, but that is done through a dairy cooperative.

On an average, the gross agricultural income of a household in Walatara KUD area constitutes 95% of its total income. 61.6% of the gross agricultural income is spent on production-related expenses. In the case of KUD Walatara area the agricultural income of the households was as follows: Rice-0.7%, Livestock/Dairy-69.8%, and Fruits and vegetables-37.4%. The highest income-generating sector for the KUD household has been livestock/dairy-69.8% although the cooperative does not handle the commodity.

The breakdown of household expenses among the KUD Walatara have been in the following order: On food 38.3%, Education 19.5%, on housing 13.5%, on clothing 11.8%, ceremonies 5.7% and on other items 10.9%.

The facilities with the KUD are very limited and traditional. KUD main facilities are:

- Kiosks-2
- Godown-2
- One-ton truck-1
- Minibus-1
- Motorcycles-3
- Office space

The KUD does not own/operate any rice milling unit.

The business condition of the KUD during 1995 was as follows:

-Total Business Volume	Rp 2,933.0 million
-Total Reserves (SHU)	Rp 18.3 million
-KUD Owned capital	Rp 244.3 million
-Outside Capital	Rp 1,038.4 million
-Total Assets	Rp 1,559.1 million

The business volume of the KUD has not undergone any significant change since 1990. The main reason could be the inability of the cooperative to expand its horticulture business although there is a great potential for development. This can be due to the following reasons:

The location of the KUD in the town of Pengalengan is ideal from various points of view: set amidst cool and highland areas surrounded by tea plantations, ideally located on the main highway connecting the city of Bandung with highland areas, right in the middle of the town, and with a forwarding looking management.

Lack of working capital. Farm-members prefer to receive payments for the produce delivered in cash. There is no incentive for the members to save with the cooperative because of negligible rate of interest given, and borrowing capital from outside sources is expensive.

Lack of capability in providing services to the members. The KUD concentrates on handling fertiliser distribution in the area, which it has done rather well. The KUD does not have sufficient resources to pick up horticulture produce from its members although there is a great potential. It lacks technology to handle perishable commodities. It lacks the will to take risks. It has not developed business links with wholesale market operators. Everything is left between the member-farmers and the private enterprises, who prefer to pick the produce from the road-head. At one point of time the KUD had entered into a business deal with a Jakarta-based private firm. Under that deal it had procured 300 tons of tomato for export to Singapore market.

Lack of diversification of business e.g., horticulture, waserda, kiosk and fertiliser distribution. The KUD has no facilities for handling and packaging of potato and tomato. It lacks experience and technology in handling horticulture products. Although the cooperative is ideally located very close to the main road, it has not established a retail outlet - waserda. Milk and vegetables seem to be almost entirely under the dominance of a dairy cooperative and wholesalers. KUD has far involved in this field in a very limited manner. The management of KUD, which seemed to be steady, does not wish to take risks and therefore has concentrated only on distribution of fertiliser and farm chemicals through organic and non-organic outlets. It has a virtual monopoly on distribution of fertiliser in the area.

Hampering Factors and Possibilities Marketing and Supply Business

Although the cooperative is within the milk-producing area, it does not deal in the commodity. There is a separate dairy cooperative which is patronised by its members.

The KUD is located in the middle of good quality horticulture production area - potato, tomato and other vegetables. Most of the members are vegetable producers - mostly potato and tomato. The KUD does not engage itself in the collection, grading, packaging and forwarding of these commodities. It facilitates, however, the business deals between its members and private purchasers and gets a business commission for services rendered.

This due to lack of facilities, inability to process locally-available horticulture products, and lack of business relationship with private traders/processors.

The cooperative has not undertaken any other major economic business e.g., horticulture, livestock development, setting-up of a feed-mixing plant, and the retail outlet-waserda.

Linkage with Puskud

The Puskud has no major economic business with the Cooperative.

Integrated Development Detailed Plan Marketing and Supply Business

In view of the fact that:

- the cooperative does not have sufficient capital base,
- borrowing from the open market is expensive,
- inability to procure, grade and process horticulture produce;
- Inability to establish a livestock development programme,
- inability to establish a cattle-feed mixing plant,
- absence of joint marketing, joint purchasing and joint use facilities,
- inability to establish retail outlet facilities, and
- no incentives for savings,

the cooperative needs to improve its business conditions by improving and introducing new business practices. An integrated business development plan is needed for the cooperative to be able to serve its members. This can be done by:

- 01 Supporting the members in providing market access for their horticulture produce - through negotiations with private enterprises/processors;
- 02 Creating vegetable processing units to help members in marketing their produce and provide them with 'value addition' opportunities;

- 03 Providing its members with procurement, grading, packaging and transportation facilities;
- 04 Providing the members with technology and quality seeds;
- 05 Establishing facilities for seeds multiplication and its distribution network among the members, supported by farm extension techniques and information;
- 06 Providing its members with upto date market information;
- 07 Meeting the demands of the members for the supply of good quality of cattle-feed;
- 08 Nearby cooperatives e.g., KUD Pasir Jambu, could be contacted to establish a joint marketing strategies for vegetables. KUD Pasir Jambu has experience in procurement, handling, packaging of fresh vegetables for a large super market in Jakarta.
- 09 Cooperative to provide services in livestock development by creating cattle-sheds, and additional capital on easy interest rates;
- 10 To expand and strengthen capital base, the cooperative needs to provide incentives to farmer-members to mobilise more savings;
- 11 To negotiate with the wholesale suppliers to obtain supplies for the waserda on easy credit;
- 12 To inculcate confidence and trust among the members, all transactions with the members should be routed through the books of the cooperative, and cash handling be reduced to a minimum. this practice will generate some savings in members' accounts.

ECONOMIC BUSINESS

Detailed Integrated Development Plan for Model KUD

To enable the KUD to become a model, the following components are suggested to be included in its integrated development plan:

A. Establishment of a Central Market for Vegetables and Potato: It should earnestly introduce and practice unified collection and multiple marketing of vegetables and potatoes by adopting joint collection method. Establishment of a joint collection centre, assisting the farmers in temporary storage, warehousing, packing area, office space, packaging and communication facilities; Provision of transport for collection and shipment; Establishment of grading standards and for shipment; negotiating with bulk buyers e.g., hotels, hospitals and fast-food outlets; Establishing as a supplier of authentic, certified potato seeds at reasonable prices to the cultivators taking advantage of the research work done by the JICA-supported

Potato Seeds Farm at Pangalengan.

B. Setting-up of a Potato Handling and Processing Facility: Already many companies are purchasing potato from Pangalengan area for processing due to its availability. The KUD has the advantage of its suitable location. It has its own site for the location of a processing plant, facilities of electricity and water supplies. Establish a potato holding facility in the form of a cold store, enabling the farmers to store their products at the time of harvesting and for selling at a more favourable time. This will serve as a price stabilising mechanism in the area for better returns to the members. Establish a medium size potato processing facility to produce sticks, fingers, chips and flour for a sustained marketing to bulk buyers. Support the unit with adequate marketing methods and channels, quality standards and controls and long-term contracts with bulk buyers in Jakarta and Bandung. Establish long-term contracts with farmer-members for the supply of high quality potatoes.

C. Establishment of Members' Accounts Settlement System: To ensure transparency in business transactions, a greater use of computers is suggested. Cash transactions of higher values to be avoided. Payments to the members be made through their accounts in the KUD, also to help increase members' savings, thus contributing to the working capital of the KUD.

03 KUD PASIR JAMBU

ECONOMIC BUSINESS

Detailed Integrated Development Plan for Model KUD

In spite of its other economic business, milk has gradually become the prime mover of KUD Pasir Jambu. It is engaged in other business activities e.g., horticulture, livestock development, cattle-feed manufacture, farm credit, distribution of consumer goods through its retail outlet, distribution of fertiliser, tea processing, and farm tool manufacture. It is a major economic services provider organisation available to the local farmers.

To enable the KUD to become a model, the following components to be included in its integrated development plan:

A. Expansion of Horticulture Marketing Business: Establishment of a joint collection centre, assisting the farmers in temporary storage, warehousing, office space, and packaging facilities; Provision of transportation facilities; Establishing standards for grading and shipment; Negotiating with other bulk buyers e.g., hotels, hospitals, Puskud's 'Citra' Supermarket in Bandung; Provision of farm guidance.

B. Establishment of Members' Accounts Settlement System: To ensure transparency and controls on business transactions, greater use of computers is suggested. Cash transactions of higher values to be avoided. Payments to members be made through their accounts in the KUD, also to help increase members' savings, thus contributing to the working capital of KUD.

C. "Value Addition" in Milk Business: Introduce dairy cow development programme with emphasis on locally-developed cattle which are easier for the farmers to own and look after; Accept all milk delivered by the farmers; Process surplus milk into products for local use; Expand milk consumption through negotiations with local schools, offices and industrial houses; Expand dairy extension services; Improve quality of feed by employing a qualified formulators and mixing technology and equipment; and Providing credit to the farmers whose cows have died for replacements.

D. Establishment of a Dairy Cow Rearing Facility: Purchase newborns from farmers and rear them until they are ready to be pregnant and sell them back to the farmers; Promote locally-developed cows; and Develop dairy bulls and dairy steers.

E. Establishment of a Cattle-Feed Mixing Facility: In view of the increasing trend in dairy cattle and the projected establishment of cattle-rearing facility, establish a new and more efficient cattle-feed mixing

plant. The facility will be able to provide a better quality cattle-feed in sufficient quantities and at low cost.

KUD INTEGRATED DEVELOPMENT DETAILED PLAN Present Situation, Problem Areas and Evaluation of KUD Pasir Jambu

The KUD (established in 1973), about 30km east of Bandung, is located in a highland area. It covers 10 villages. Type of agriculture is dairy farming, horticulture, paddy farming, 100% irrigated. It is located on an all-weather highway and easily accessible from all its covered villages. The KUD has the distinction of being an Excellent KUD in West Java-1994.

Principal components of economic business of the KUD, among others, are milk collection, its cooling and transportation, feed-supply, marketing of vegetables, savings and loans, supply of consumer goods through KUD retail store, institutional credit channelling, electricity bills collection, TV fee payment services. Main business of majority of its 5,862 full members is dairy farming and horticulture production. It does not handle government rice procurement and fertiliser distribution programmes.

Main business of KUD members is: marketing of rice in the free market, 50% of vegetables are marketed through the KUD and the remaining through private channels, 100% of milk is marketed through the KUD.

Major facilities available at the KUD are the following:

Rice milling units	...	...	10
Milk Cooling Unit	...	...	1
Trucks	...	...	4
Vegetable collection centre			1
Feed-mixing plant	...	...	1
KUD Retail Shop	...	...	1
Godown	...	...	1
Hand-tool making workshop	...	...	1
Automobile workshop	...	...	1

With the assistance of the GKSI, the KUD is also planning to expand its milk cooling facility.

The KUD does not engage in livestock development activities. It does not provide any advisory or consultancy services to the dairy farmers. The technological level of milk handling is traditional.

The feed mixing plant is old and produces low quality material.

The business condition of the KUD during 1995 was as follows:

-Total Business Volume	Rp 5,807.9 million
-Total Reserves (SHU)	Rp 85.2 million

-KUD Owned capital	Rp 1,082.6 million
-Outside Capital	Rp million
-Total Assets	Rp 3,632.4 million
-Total Institutional Loans Outstanding	Rp 175.0 million
-Total Member Loan (Bank Channelling)	Rp 13.3 million
-Total Members Loans (Internal S/P)	Rp 117.2 million
-Member Savings	Rp 549.7 million
-Initial Savings	Rp 280.8 million
-Voluntary Savings	Rp 265.6 million
-Compulsory Savings	Rp 3.3 million

The business volume of the KUD in 1992 was 560.6 million and in 1995 it rose to Rp 5,807.9 million. The savings have not shown any significant increase - in 1992 it was Rp 560.6 million. The net income of 1995 was Rp 85.2 million after appropriate of dividends to the members. There are 42 dairy groups and 9 vegetable producers groups in the KUD area of operation.

Although there is a great potential for increase in milk and vegetable business due to its location and occupation of its members, the KUD has not been able to exploit the situation to the advantage of its members. The KUD faces problems of inadequate capacity of milk handling - procurement, cooling, processing and transportation. The cattle-feed mixing plant is old, inefficient and low in production. Higher value ingredients are not used in the production, as a result, its marketing is problem. Farmer-members purchase their requirements from outside sources.

The KUD is known to have an agreement with Hero Supermarket of Jakarta for the marketing of fresh vegetables. The farmer-members are encouraged to grow items like baby corn, carrot, green leafy vegetables, mint, coriander leaves, radish and cucumber. The supermarket provides them with wrappers. The farmers clean-wash the vegetables and pack them in the provided wrappers and bring the produce to a pre-designated collection points. From there, the supermarket trucks carry the vegetables to its own warehouses and grading centres for disposal in the market.

The vegetable procurement by the KUD itself is inadequate mainly due to the following factors:

- Private trader often pick up vegetables from the road head through direct negotiations with the farmer-producers;
- Collection, grading, packaging infrastructure is weak and inefficient. There is no technological application in this process resulting into losses and non-provision of marketing facilities to the farmer-members;
- The collection/handling centre, although located closer to the farm area, is under-utilised; and
- The KUD relies heavily only on the initiatives of the farmer-producers rather than undertaking any direct business of vegetable cultivation to ensure production and

its quality.

The business diversification and expansion of the KUD has not undergone any significant change. The main reason could be the inability of the cooperative to expand its milk handling, vegetable handling and cattle-feed business although there is a great potential for development. This can be due to the following reasons:

01 Lack of working capital

- Farm-members prefer to receive payments for the milk delivered in cash.
- There is no incentive for the members to save with the cooperative because of negligible rate of interest given, and borrowing capital from outside sources is expensive.

02 Lack of capability in providing services to the members

- The existing feed-mixing plant is old, out-dated, small in size and inefficient.
- Animal husbandry services are not provided. No support is provided to the members in cattle-rearing.
- Inadequate equipment to handle milk, its cooling and transportation to delivery points in Bandung and Jakarta.
- Absence of technology in creating 'value addition' in procurement, grading, packaging and handling of perishable commodities like fresh vegetables.

03 Lack of diversification of business e.g., horticulture, waserda, kiosk and fertiliser distribution.

- Vegetable business needs 'value addition' through technological application and better business deals with private enterprises/processors.
- The waserda, although housed in a spacious area and on the main highway, stocks very little range of merchandise.
- The KUD does not engage itself in distribution of fertiliser and farm chemicals although there is a great business potential.

**Hampering Factors and Possibilities
Marketing and Supply Business**

Cooperative area is milk and vegetable producing area. 100% of the milk produced is sold through the cooperative. The infrastructure available with the cooperative to handle and process milk is inadequate. Milk payments are delayed. The Cooperative is unable to provide supporting economic and other services to the farmer-members. The milk payments are made only when the

Cooperative receives payment from the milk factory. Cooperative is unable to make payments in time due to its weak working capital base.

The KUD has not taken up any project for converting the available/surplus milk into items of local use.

Farmer-members received limited supplies of cattle-feed from the cooperative because of its low availability, and low quality ingredients used. The balance has obviously been supplied by private traders.

The KUD has not provided any livestock development support to its members. There is a great need for livestock breeding services.

The cooperative has not undertaken any other major economic business e.g., horticulture, livestock development, upgrading of feed-mixing plant, and the retail outlet.

Linkage with Puskud

The Puskud has no major economic business with the Cooperative. The Puskud could supply cattle-feed ingredients in sufficient quantities and in good time. The GKSI does not have sufficient capacity to supply the cattle-feed and other equipments.

INTEGRATED DEVELOPMENT DETAILED PLAN

Marketing and Supply Business

In view of the fact that:

- the cooperative does not have sufficient capital base,
- borrowing from the open market is expensive,
- inadequate milk handling and transportation facilities,
- insufficient support to the farmers on livestock development,
- outdated and low production capacity cattle-feed mixing plant,
- absence of joint marketing, joint purchasing and joint use facilities,
- inadequate retail outlet facilities, and
- no incentives for savings,

the cooperative needs to improve its business conditions by improving and introducing new business practices. An integrated business development plan is needed for the cooperative to be able to serve its members. It has to adopt other measures to earn the goodwill of its members. This can be done by:

- 01 In milk business by setting-up a moderate size milk processing plant which could do the following activities: milk procurement, grading, cooling, processing and converting the excess milk into products of local use e.g., curd, flavoured ice-creams, caramel pudding etc. The required technology and equipment could be procured from the local market or imported through soft loans and/or grants from internal or external sources;
- 02 Meeting the demands of the members for the supply of good quality of cattle-feed by improving the existing feed-mixing plant through renovations or by adding new machines; and investing in good quality ingredients. Better feed will result in higher quality and quantity of milk;
- 03 Nearby cooperative e.g., KUD Tani Mukti, whose main business is also milk and cattle-feed production and supply could be contacted to establish a higher capacity feed-mixing plant to reduce quantum of capital requirements;
- 04 Cooperative to provide services in livestock development by creating cattle-sheds, and additional capital on easy interest rates. Collaboration of nearby KUD Tani Mukti could be enlisted to do the livestock development on a joint-use facility basis;
- 05 Expanding the milk handling and milk transfer equipments by improving or adding new equipment. Arrangements for joint-use facilities be discussed with neighbouring cooperatives;
- 06 Improve and expand to achieve 'value addition' vegetable procurement, grading and forwarding facilities through technology application. For this purpose joint marketing and joint purchasing concepts be adopted with the farmer-producers and private enterprises/processors e.g., supermarkets and food industries to overcome shortage of capital and market access. Better deals be negotiated with the Hero Supermarket and other supermarkets/wholesale markets in Bandung and Jakarta. Collaboration of other KUD dealing in vegetable could be enlisted for marketing of these perishable commodities;
- 07 To expand and strengthen capital base, the cooperative needs to provide incentives to farmer-members to mobilise more savings;
- 08 To negotiate with the wholesale suppliers to obtain supplies for the waserda on easy credit;
- 09 To inculcate confidence and trust among the members, all transactions with the members should be routed through the books of the cooperative, and cash handling be reduced to the minimum. This practice will generate some savings in members' accounts.

04 KUD SIPATUWO

ECONOMIC BUSINESS

Detailed Integrated Development Plan for Model KUD

To enable the KUD to become a model, the following components are suggested to be included in its integrated development plan:

A. Conversion of the Existing Rice Milling Unit into a Composite Rice Handling Centre including Processing of Mini Grains: Besides paddy, corn is widely cultivated in the area. The KUD is unable to handle both due to outdated RMU and lack of relevant facilities. The RMU produced a plenty of "off grade" (broken) rice, although the quality of paddy is good. Also available in the area are mungbeans and soyabeans. The rejects from the RMU is sold on throw away prices. Mobilise resources to convert the existing RMU into a composite rice handling centre to which the members market their paddy/rice and from where they purchase all their rice, consumer goods and farm input requirements. The Centre should have an efficient RMU, polisher, paddy drying floor, rice bagging facilities, a warehouse (for storing paddy, rice, rice bran, corn and fertiliser) with supporting transportation facilities.

Broken rice, corn, soybeans, mungbean and other cereals can be processed into bakery items for local marketing. Members can purchase the raw material for conversions. The KUD to serve as a strong link with the PMU and the Puskud to handle extra paddy which the KUD cannot process.

Mobilise resources for the Centre through recovery of overdue savings, borrow funds from well-off members and from government and other sources. Establish paddy collection centres closer to the members. Surplus rice could be sold in the open market and to wholesale companies like the Puskud and PT Goro.

B. Establishment of a Poultry Farm Complex: Make use of the local resources to establish this facility; Feed can be produced by the Rice Centre; Marketing to be done locally or in association with private enterprises.

C. Setting-up of a Feed-Mixing Facility: Making an economic use of rice bran, off-grade rice, soybeans and other cereals which are locally available.

D. Establishing a Farm Services Centre: Provide maintenance services for farm machines and transportation services.

E. Establishing Members' Accounts Settlement System: Avoid cash transactions of higher values. Payments to the members be made through their accounts in the KUD, also to help increase members' savings, thus contributing to the

working capital.

ECONOMIC BUSINESS

Present Situation and Evaluation including Hampering Factors and Possibilities

Present Situation: The KUD is located in a well-irrigated rice-growing area. The primary business of its 783 members is paddy cultivation, its processing and marketing. Other business activities of the KUD include retailing, corn grinding, cassava procurement, distribution of fertiliser, soyabean and poultry. The business has been stagnant. The financial situation of the KUD during 1994, 1995 and 1996 was as follows:

Particulars/Rp	Year 1994	Year 1995	Year 1996
Total sales	474.4m	720.5m	676.4m
Total Purchases	403.9m	658.4m	593.0m
Own capital	62.0m	56.3m	57.1m
Outside capital	335.7m	336.0m	385.5m

During 1996 it sold paddy/rice worth Rp 333.6 million from out of which it earned a total profit of Rp 0.5 million. Part of the product was sold to Bulog and the other in the open market in the ratio of 60:40. Besides, rice business it earns some money from the rice milling business. During 1996 it earned Rp 5.1 million as RMU fee and Rp 2.7 million as RMU Refiner fee.

During 1996 the KUD sold chemical fertiliser (Urea 60%, TSP 30% and KCL 10%) worth Rp 220.2 million on which it earned Rp 5.3 million as fee which was 53.2% of the commission earned during 1994. The sale of fertiliser decreased drastically in 1996 due to a substantial increase in the price of fertiliser.

Corn and rice brans are other important business items of the KUD. During 1996 corn worth Rp 66.9 million, and rice bran worth Rp 9.5 million were sold. It made a profit of Rp 11.1 million which was 169.6% of the profit earned during 1994. This material is needed by the poultry farmers.

Retail outlets and farm machine unit business have not been significant. The Bukopin has nominated this KUD to be a liaison distributor for the whole district of Sidrap for 2-wheel tractors - under the programme 280 tractors have been distributed.

Evaluation: RMU, fertiliser distribution and corn crushing are the main sources of income for the KUD. Business condition of the KUD is generally weak and stagnant although the leadership with all their good intentions tries to make the best use of the facilities available. The leaders and the employees tried to operate the RMU to the advantage of the KUD. Due to the unsatisfactory condition of the machines, the production is not of high quality. There is a plenty of waste in the form of broken rice.

Hampering Factors: Acute shortage of working capital, and other related infrastructure. The present rice mill is inefficient and old (1982), most of the time out-of-order and produces low-quality rice; "off grade" rice is a loss to the KUD; To meet the Bulog obligations, the KUD often purchases rice from the members; Insufficient transportation facilities - KUD often borrows trucks from the members for transportation of paddy, rice and fertiliser; Unable to take economic advantage of the plenty of corn available in the area; Unable to accept all the paddy offered to it due to limited milling and warehousing capacity; Unable to provide any farm guidance of advisory services and education to the members. Ineffective management of accounts and business operations.

Possibilities: Establishment of a composite rice milling facility which could handle rice milling, warehousing, corn crushing and production of feed; With additional transportation facilities can pick up more of paddy from the members, transport rice to the Bulog/open market and handle fertiliser distribution; Off-grade rice and other cereals available in the area can be converted into bakery items for local use; With better controls business operations can be made more transparent.

Relationship with PUSKUD

The KUD does not have any economic business with the Puskud although it is one of its affiliates. As to the transportation of chemical fertiliser from the PT Pusri's warehouse, the KUD relies only 20% on the transportation from the Puskud, 80% on using own members' trucks.

Recently the Puskud Rice Centre has started strengthening. It collects the surplus rice from the KUD operational areas because the KUD had the limitation of capacity, space and resources. The Puskud has not discussed the procurement of paddy with the KUD. There is no business relations between the two institutions. It is, however, quite possible that the KUD makes use of the surplus milling capacity of Puskud.

KUD INTEGRATED DEVELOPMENT DETAILED PLAN Present Situation, Problem Areas and Evaluation of KUD Sipatuwo

The KUD is located in a well-irrigated rice growing area. The primary business of its 683 full members is paddy/rice production, processing and marketing. Other business activities of the KUD include savings programme, electric bills collection, retailing business and corn grinding. On a smaller scale it also undertakes business in cassava, and distribution of farm inputs e.g., chemical fertilisers, farm chemicals etc. KUD members also undertake soybeans and poultry business.

The following equipment is available at the cooperative:

Rice milling unit-1/1 TPH
Rice refiner-1/7-TPH

Fertiliser sales outlets-	...	4
Storage-	...	4
Truck-	...	1
Thresher-	...	1
Hand tractor-	...	1
Corn grinder-	...	1
Office space, and A piece of land of 1.2ha		

The business condition of the KUD during 1995 was as follows:

-Total business volume	Rp 720.6 million
-Total Surplus (SHU)	Rp 2.4 million
-Total KUD-owned Capital	Rp 56.3 million
-Outside Capital	Rp 336.0 million
-Total Assets	Rp 392.3 million
-Total Institutional Loans Outstanding	Rp 75.0 million
-Total Member Loan (Bank Channelling)	Rp 201.0 million
-Total Member Loans (Internal S/P)	Rp 0.0 million
-Total savings	Rp 20.2 million
-Initial Membership	Rp 0.7 m
-Compulsory Savings	Rp 8.2 m
-Voluntary Savings	Rp 11.3 m

The business situation of the cooperative has been stagnant. There are vast potentials for the development of KUD business in other sectors besides rice. The KUD and its surrounding areas produce commodities like cashewnut, rattan, coconut and rear silk-worms and poultry. But the KUD have not taken up such businesses. The main reason could be the inability of the KUD to expand its business mainly due to the following factors:

-Lack of working capital: It has insufficient working capital for: i) rice procurement, and ii) layer bird expansion programme. The KUD faces problems in mobilising financial resources for its business operations. There is no incentive for the members to save with the cooperative because of negligible/no rate of interest given. Borrowing capital from outside sources is expensive. Financial situation of the members is weak.

-Lack of capability in providing services to the members: In spite of its advantageous location in the well-irrigated rice growing area, the supporting facilities are inadequate, old and inefficient. The rice mill is of small size and needs extensive repairs - its production during 1995 was only 313.5 tons of low quality rice. Its location is not considered to be ideal from the business point of view. The only truck that the KUD has is old (1982) and is generally out of order. There are no branches or field offices of the KUD to maintain contacts with the members. This situation hampers collection of members' produce. It has no funds of its own to start/expand its loans and savings programme.

-Lack of diversification of business: Except for engagement in procurement of paddy, its milling and marketing to the Bulog/open market, the KUD has not established any other line of business e.g., retail shop development, cattle-feed production in spite of there being available a plenty of paddy straw, some cassava, corn and soybeans, and poultry business.

Linkages with Puskud

The KUD does not have any economic business with the Puskud.

Hampering Factors and Possibilities Marketing and Supply Business

Although the KUD is located in a well-irrigated rice-growing area, the business patronage by the farmers is low. This is mainly due to the following reasons:

- a. KUD has no branch offices or contact persons which could be contacted by the members for marketing their produce and to make purchases of their consumption requirements and farm inputs.
- b. The number of employees (7) is rather low to service 683 full members and 38 candidate members.
- c. Maintenance of accounts and book-keeping is traditional.
- d. Business transactions are highly cash-oriented.
- e. The infrastructure at the KUD is also inadequate, it is only one rice milling unit which is old and in bad need of repairs. Its location is not ideal from the business point of view.
- f. The drying floor is too small and is in need of repairs and expansion.
- g. No warehousing facilities, and transportation equipment - the only truck available is also old and often out of order.
- h. No retail shop for the members to make purchases of their consumption needs.
- i. Although a plenty of cattle-feed ingredients are available in the area, the KUD has not established any cattle-feed production facilities.
- j. Although there is sufficient poultry activity in the KUD area, the KUD has not engaged itself in the business.

The cooperative has not undertaken any other major economic business e.g., poultry, livestock development, retail outlet etc.

INTEGRATED DEVELOPMENT DETAILED PLAN
-Marketing and Supply Business

The cooperative is known to be fairly active in business development in spite of its limited resources, employees and facilities. It maintains reasonably good accounting system, follows good savings discipline, has good historical financial data and has a good overall management.

In view of positive attitudes of KUD leaders and good management disciplines and in view of the fact that:

- the KUD does not have sufficient capital base;
- borrowing from the open market is expensive;
- facilities are inadequate and old;
- absence of joint marketing, joint purchasing and joint use facilities;
- inadequate retail outlet facilities; and
- no incentives for members' savings

the cooperatives needs to improve its business conditions by streamlining its principal business - paddy/rice procurement, processing and marketing, through renovations or by adding new machines.

Being located in a well-irrigated rice producing area, the KUD has a number of possibilities for development of its business with the members. Some of the possibilities of developing an integrated development plan for the KUD are:

Streamlining the paddy/rice business converting it into a **composite rice handling centre** for the area by:

- Repairing and expanding paddy processing machines to improve the quality of rice;
- Branding its products;
- Expanding paddy drying floors;
- Improving the warehousing facilities;
- Replacing the old one and adding new vehicles;
- Establishing paddy collection centres in the field;
- Establishing a cattle-feed production facility by using rice bran, cassava, corn, paddy straw and other locally-available raw material;

- Establish business linkages with neighbouring cooperatives to achieve joint marketing, joint purchasing, joint use of capital and joint-use facilities with a view to strengthen its own economic base.
- Strengthen its economic relations with the Puskud and other cooperative/private enterprises in the area.

The KUD, can further expand its business in an integrated manner, by undertaking other activities e.g., farm extension to improve the quality and variety of paddy, extension to the farmers on poultry development, livestock development (for meat production), attracting capital by giving incentives to the depositors in the form of higher interests and other facilities, handling cash crops e.g., cashewnut, rattan, coconut, silk worms and other products of the area.

To inculcate confidence and trust among the members, all transactions with the members should be routed through the books of the cooperative, and cash handling be reduced to the minimum. This practice will generate some savings in members' accounts.

05 KUD SEMANGAT

ECONOMIC BUSINESS

Present Situation and Evaluation including Hampering Factors and Possibilities

Present Situation: The KUD Semangat is located in flat-lowland, well-irrigated 100% paddy-growing area. Its main business is paddy/rice procurement, milling and marketing, and retailing business. Within and the areas surrounding the KUD people produce commodities like cashewnut, rattan, coconut and rear silk-worms and poultry. During the years 1994, 1995 and 1996, the economic situation of the KUD was as follows:

Particulars/Rp	Year 1994	Year 1995	Year 1996
Total sales	785.6m	1,352.0m	3,353.5m
Total purchases	757.4m	1,335.6m	3,268.5m
Own capital	57.5m	62.0m	67.3m
Outside capital	367.5m	384.5m	422.6m

During 1996 the KUD sold rice worth Rp 2,565.7 million and earned a commission of Rp 56.8 million which was 1,425% of the year 1994. The transaction of rice has been increased from members' rice milling units (Mitra) to the Bulog in 1996. The actual operation of the RMU has been inactive - against the installed capacity of 1,200 tons per year to only 200 tons. The KUD suffers from lack of managerial support. The RMU has been leased out to a private contractor. The principal buyers of rice from the KUD have been the restaurants, passenger ships and company employees in Ujung Pandang at the rate of 25 tons per month.

The fertiliser sold during 1996 was worth Rp 755.0 million. It earned a commission of Rp 28.0 million which was 110.5% of the year 1994. Due to increase in fertiliser prices, the KUD could not lift its allocated stock due to shortage of funds.

Its other business have been transportation services (Rp 28.0 million) and RMU service income (Rp 1.3 million).

Evaluation: The KUD has strong potentials for paddy collection, milling and marketing, but due to ineffective "Mitra" concept of arrangement and lack of managerial support the business have not developed. The main sources of income are from rice marketing (60%) and supply of fertiliser (40%). The KUD does not have the required infrastructure to procure paddy. It lacks warehousing and paddy drying floors. The paddy collection is difficult because the farmers live far away from the KUD and they find it expensive to bring the paddy all the way to the KUD RMU. Fertiliser distribution is another problem - prices have gone up, KUD cannot lift its allocated quota due to shortage of funds, and members have no option but to purchase from other sources or to reduce its application.

Hampering Factors: Inadequate rice milling, drying floor, warehousing and transportation facilities; Serious management problems especially in rice milling; serious lack of working capital; inadequate capital mobilisation, especially members' overdue compulsory deposits; Lesser take off of fertiliser due to increase in prices; Lack of initiative in expanding business in poultry, waserda, farm machines and feed supply.

Possibilities: Joint ventures or business linkages with private enterprises to overcome shortage of funds; Improvement of management of KUD as a whole and of the RMU in particular; Enhance procurement, milling and marketing of paddy (vast cultivation of paddy in the area); Establishment of paddy collection centres to provide relief to the farmer-members; Ensure better management of accounts and business operations.

Relationship with PUSKUD

The KUD, an affiliate of the Puskud, has no business relationship with the Puskud. It is not involved in the procurement of cloves. It does not receive any business service even in the distribution of fertiliser, wheat flour and sugar. The KUD is not in a position to set apart a working capital of Rp 25-40 million in order to qualify to open a waserda (cooperative retail outlet) in association with the Puskud/PT Goro - a requirement of the business.

ECONOMIC BUSINESS

Detailed Integrated Development Plan for Model KUD

To enable the KUD to become a model, the following components are suggested to be included in its integrated development plan:

A. Setting-up of a Composite Rice Milling Centre including Processing of Mini Grains and a Feed Handling Business: Due to the availability of plenty of paddy in the area, in the processing there is a high incidence of 'off grade' (broken rice) material. This is because of the low quality of RMUs and inapt handling of milling. In addition, in the area are also available other cereal grains e.g., corn, soybeans, mungbeans etc. The proposed Centre could handle all the paddy, mill it, stock it and market to Bulog/open market. The Centre could also serve as a focal point for handling rice, rice bran, other cereals including the off-grade material, fertiliser, and other farm inputs. The Centre should have all the integrated facilities e.g., an efficient RMU, rice polisher, paddy drying floor, rice bagging equipment, a warehouse and suitable transportation facilities. All in one place including a waserda so that the farmer-members can do their marketing and purchasing at one place.

The Centre could produce the raw material for items of local use e.g., rice flour, mungbean/soybeans flours etc. which the members and their families can purchase and convert into items for bakery.

Centre to be linked up with paddy collection centres located closer to the members thereby providing them with some relief on transporting paddy to the RMU/Centre.

The Centre could also serve as a feed-mixing plant using its by-products. The feed used for poultry and cattle can be sold through the retail outlet of the Centre itself.

B. Increasing Transportation Facilities: To pick up the paddy and other materials from various locations, and to deliver fertilisers and farm inputs to the members.

C. Establishment of a Farm Services Centre: To provide maintenance services for farm machines and automobiles.

D. Establishing Members' Accounts Settlement System: Avoid high value cash transactions. Payments to the members to be made through their accounts in the KUD, also to help increase members' savings, thus contributing to the working capital.

06 KUD MATUTU

ECONOMIC BUSINESS

Detailed Integrated Development Plan for Model KUD

To enable the KUD to become a model, the following components are suggested to be included in its integrated development plan:

A. Establishing a Multipurpose Rice Centre: The KUD rice centre should have all the integrated facilities e.g., an efficient rice milling unit, rice polisher, paddy drying floor, rice bagging facilities, a warehouse for storing paddy, rice, rice bran, cloves and fertiliser, with appropriate transportation facilities; To serve as a link with PMU in association with the Puskud (the Puskud has a large rice mill which could collaborate with the KUD); Relocate the existing RMUs and make use of their good machines, make use of existing shed for warehouses; Establish paddy collection centres closer to the members to provide them with relief on transportation of paddy to the KUD RMU; Settle management problems hampering the business of the KUD; Surplus rice to be marketed in association with the Puskud/PT Goro.

B. Beef-Cattle Breeding and Fattening Facility: A large number of members own beef cattle but are unorganised; KUD can mobilise this resource and establish a beef-cattle breeding and fattening facility (a large State-owned company, PT Berdikari operates such a facility in the area - technology and support can be obtained from them); Establish a cattle-feed mixing plan to meet the needs of the facility as well as for supplying to the individual farmers.

C. Cash Crops Handling and Processing Unit: Cash crops like rattan, cashewnut, cocoa and cloves are available in the area but are operated on an unorganised/individual basis. The unit is to hand-clean the cashewnuts, pack and forward to Puskud for marketing. The Unit to ensure quality in order to stay in the market.

D. Farm Services Centre: To provide maintenance services to farm machines and automobiles. The Centre is also to provide improved seeds, chemical fertiliser, farm chemicals, farm extension and guidance services.

E. Establish Members' Accounts Settlement System: Avoid high value cash transactions. Payments to the members to be made through their accounts in the KUD, also to help increase members' savings, thus contributing to the working capital.

KUD INTEGRATED DEVELOPMENT DETAILED PLAN
Present Situation, Problem Areas and Evaluation
of KUD Matutu

The KUD (established in 1962) is located in a flat low-land area. Out of a total of 192,800 ha land area within the area of operation of the KUD, only 3,869 ha is irrigated. Main cultivation is, however, paddy. The primary business of its 3,551 full members and nearly 500 candidate members is paddy/rice production, processing and marketing. Other business activities of the KUD include savings programme, electric bills collection, retailing business, some livestock and collection of rattan. On a smaller scale it also undertakes business in distribution of farm inputs e.g., chemical fertilisers, farm chemicals etc. KUD members also undertake livestock development and poultry business.

A description of various sources of income of farm households in KUD Matutu area has been as follows: 82% of agricultural income is derived from paddy/rice cultivation, 7% from livestock and dairy activities, 6% from cash crops e.g., cocoa, rattan etc., and 1.1% from fruits and vegetables. 4.5% of the income is derived from other sources. Average annual gross income per household is approximately Rp 3 million.

As to the household expenses, 43% goes towards food, 22.8% towards education of children, 16% is spent on clothing, 9% is related to housing expenses, and 3% is spent on ceremonies. 6.1% covers all other expenses.

The following equipment is available at the cooperative:

- Rice milling units-2/1 & 3 TPH (not working)
- Water pumps-10
- Pick-up truck-1
- Trucks-3 (2 broken, 1 operational)
- Motor Cycles-6 (2 scrap, 2 operational)
- Kijang van-1
- Motor car-1
- Computers-2 (not working)
- Warehouse-1
- Drying floor-1 (6000m)
- Kiosks-6
- Office space

The business condition of the KUD during 1995 was as follows:

-Total business volume	Rp 2,147.6 million
-Total Surplus (SHU)	Rp 23.5 million
-Total KUD-owned Capital	Rp 246.8 million
-Outside Capital	Rp 576.3 million
-Total Assets	Rp 823.1 million
-Total Institutional Loans Outstanding	Rp 90.0 million
-Total Member Loan (Bank Channelling)	Rp 380.0 million
-Total Member Loans (Internal S/P)	Rp 16.0 million
-Total savings	Rp 81.4 million

-Initial Membership	Rp 3.3 m
-Compulsory Savings	Rp 51.6 m
-Voluntary Savings	Rp 26.5 m

The business situation of the cooperative has not been so satisfactory. The situation was reportedly much better before 1989. Much of the assets were obtained before that period. The presence of 20 strong -wealthy and influential - 'partner-farmers' who compete with a control the KUD has adversely affected the business of the KUD. KUD cannot operate RMU periodically due to competition from this group of 'partner-farmers'.

There are vast potentials for the development of KUD business in other sectors besides rice. The KUD and its surrounding areas produce commodities like cashewnut, rattan, coconut and rear silk-worms, livestock and poultry. But the KUD have not taken up such businesses. The main reason could be the inability of the KUD to expand its business mainly due to the following factors:

-Lack of working capital: It has insufficient working capital for: i) rice procurement, ii) operation of rice milling units, transport equipment, and iii) procurement of land tilling equipment. The KUD faces problems in mobilising financial resources for its business operations. Whatever funds the cooperative had, have been used for non-business activities. There is no incentive for the members to save with the cooperative because of negligible/no rate of interest given. Borrowing capital from outside sources is expensive. Financial situation of the members is weak.

-Lack of capability in providing services to the members: In spite of its advantageous location in the partially-irrigated rice growing area, the supporting facilities are inadequate, old and inefficient. The rice mills are out of use and need extensive repairs - consequently no production. Two trucks out of three are not operational, four motor cycles out of six are not working. The warehouse is inadequately utilised. There are no branches or field offices of the KUD to maintain contacts with the members. This situation hampers collection of members' produce. It has no funds of its own to start/expand its loans and savings programme. Due to its reliance on 'partner-farmers' the main business of the KUD suffers and its own funds remain under-utilised or used for non-business operations.

-Lack of diversification of business: Except for engagement in procurement of paddy, its milling (from outside sources) and marketing to the Bulog/open market, the KUD has not established any other line of business e.g., retail shop development, cattle-feed production in spite of there being available plenty of paddy straw, some cassava, corn and soybeans, and poultry business.

Hampering Factors and Possibilities Marketing and Supply Business

Although the KUD is located in a partially-irrigated rice-growing area, the business patronage by the farmers is low. This is mainly due to the following reasons:

- a. KUD has no branch offices or contact persons which could be contacted by the members for marketing their produce and to make purchases of their consumption requirements and farm inputs.
- b. The number of employees (10) is rather low to service 3,551 full members and nearly 500 candidate members.
- c. The infrastructure at the KUD is also inadequate. Its two rice milling units have been out of order. Two of its trucks and four of motor cycles are broken and are beyond repairs. Warehouse is inadequately utilised.
- d. The drying floor of 6000m is reportedly rented out to private parties.
- e. Warehousing facilities are under-utilised. Transportation equipment is not in good form.
- f. No retail shop for the members to make purchases of their consumption needs.
- g. Although a plenty of cattle-feed ingredients are available in the area, the KUD has not established any cattle-feed production facilities.
- h. Although there is sufficient poultry and livestock activity in the KUD area, the KUD has not engaged itself in the business.

The cooperative has not undertaken any other major economic business e.g., poultry, livestock development, retail outlet etc.

Linkage with Puskud

The KUD has no major economic business with the Puskud.

INTEGRATED DEVELOPMENT DETAILED PLAN -Marketing and Supply Business

The cooperative is known to be fairly active in business development in spite of the limited resources, employees and facilities. It maintains a traditional accounting system. The two computers which were intended for accounts and book-keeping purposes have been out of use. Most of the transactions are highly-cash-oriented.

In view of a good initial standing, previous good business operations, positive attitudes of KUD leaders and in view of the fact that:

- the KUD does not have sufficient capital base;
- borrowing from the open market is expensive;
- facilities are inadequate, worn out, inoperational and old;
- absence of joint marketing, joint purchasing and joint use facilities;
- inadequate retail outlet facilities; and
- no incentives for members' savings

the cooperatives needs to improve its business conditions by streamlining its principal business - paddy/rice procurement, processing and marketing, through renovations or by adding new machines. There is an urgent need for the KUD to develop its own business on its own strength using its own infrastructure by undertaking renovations and repairs.

Being located in a rice producing area, the KUD has a number of possibilities for development of its business with the members. Some of the possibilities of developing an integrated development plan for the KUD are:

Streamlining the paddy/rice business converting it into a composite rice handling centre for the area by:

- Repairing, renovating and expanding paddy processing machines to improve the quality of rice;
- Branding its products;
- Optimising the use of its own paddy drying floors;
- Improving the use of warehousing facilities;
- Replacing the old ones and adding new vehicles;
- Establishing paddy collection centres in various locations of the area of operation of the KUD;
- Establishing a cattle-feed production facility by using rice bran, cassava, corn, paddy straw and other locally-available raw material;
- Establish business linkages with neighbouring cooperatives to achieve joint marketing, joint purchasing, joint use of capital and joint-use facilities with a view to strengthen its economic base.
- Strengthen its economic relations with the Puskud and other cooperative/private enterprises in the area.

The KUD, can further expand its business in an integrated manner by:

- i. undertaking other activities e.g., farm extension to improve the quality and variety of paddy, extension to the farmers on poultry development, livestock development (for meat production);
- ii. attracting capital by giving incentives to the depositors in the form of higher interests and other facilities;
- iii. instituting additional income-generating activities e.g., telecommunication, electricity bills handling services etc.; and
- iii. handling cash crops e.g., cashewnut, cocoa, rattan, coconut, silk worms and other products of the area.

To inculcate confidence and trust among the members, all transactions with the members should be routed through the books of the cooperative, and cash handling be reduced to a minimum. This practice will generate some savings in members' accounts.

MAIN FINDINGS
[A VERY BRIEF SUMMARY]

01 NORTH SUMATRA

Main Findings

- KUD main business revolves around government-supported programmes: fertiliser distribution (88%, food procurement and supply 7.6%, farm credit, procurement of cloves 57.9% in case of Puskud, and sugarcane intensification;
- Fees/commissions received from government programmes form the core of KUD working capital;
- No joint marketing, joint purchasing and joint use facilities concepts adopted by KUD;
- No procurement, grading and packaging facilities by KUD for vegetables handling;
- No pigs and poultry handling and processing by KUD;
- Major cattle-feed producers are privately-owned - 8 companies produce 270,000 tons/year;
- All KUD-member business transactions are in cash.
- Farm machines, transportation equipment insufficient.

Hampering Factors/Problems

- Lack of capital
- Insufficient ability to market members' produce
- Lack of marketing facilities
- No joint marketing, joint purchasing and joint-use facilities;
- Lack of business information
- Problems of accounts settlement

Development Plans

- Vegetable grading and packaging facilities
- Farm machines and transportation equipments
- Home-made pork and poultry production
- Cold stores and warehouses

02 LAMPUNG

Main Findings

- KUD main business revolves around government-supported programmes: fertiliser distribution-51.9%, paddy-16.2%, sugar distribution-51.3% for Puskud, farm credit, and sugar intensification. Procurement of Rubber was 27.4% in respect of KUD Kencana Jaya.
- Fees/commissions received from government programmes form the core of KUD working capital;
- No joint marketing, joint purchasing and joint use-facilities concepts adopted by KUD;
- No procurement, grading and shipment facilities by KUD for cassava handling (a major product), sugarcane and rubber;
- Due to transmigration area fertiliser consumption high for paddy, cassava, sugarcane and rubber plantations;
- KUD facilities inadequate due to lack of communication, transportation and electricity facilities.

Hampering Factors/Problems

- Lack of capital
- Lack of business information
- Lack of marketing, shipment and warehousing facilities
- No joint marketing, joint purchasing and joint-use facilities;
- Poor business linkages with other cooperatives/Puskud
- Problems of accounts settlement.

Development Plans

- Farm machines and transportation equipments
- Livestock development and cattle-feed production
- Cassava, rubber and sugarcane collection centres
- Rice milling, warehousing and purchasing outlets development

03 WEST JAVA

Main Findings

- KUD main business revolves around government-supported programmes: fertiliser-49-52% (highest in KUD Byongbong-89%); 65.3% in respect of Puskud; farm credit and procurement of cloves;
- Fees/commissions received from government programmes form the core of KUD working capital;
- Milk and vegetables are important business of KUD: 70.2% of milk in KUD Tani Mukti, 44.6% in KUD Cikajang, Vegetables 22.8% in KUD Pasir Jambu, 12.5% in KUD Bayongbong;
- Farmer-members are engaged in livestock development;
- KUD produce nearly 70% of cattle-feed requirements using wheat pollard;
- No joint marketing, joint purchasing and joint use facilities concepts adopted by KUD;
- The GKSI contributes significantly to milk handling technology and facilities.

Hampering Factors/Problems

- Lack of working capital
- Lack of ability to market produce
- Lack of market information
- Poor business linkages with cooperatives/Puskud
- Insufficient guidance and training services

Development Plans

- Cattle-feed production
- More milk cooling and shipment facilities
- Vegetable grading and packaging facilities
- Provision of quality seeds (e.g., potatoes)
- Encourage joint ventures
- Introduce accounts settlement and computerization

04 EAST JAVA

Main Findings

- KUD main business revolves around government-supported programmes: fertiliser distribution-39.7%, 100% in KUD Budi Makmur, very low in paddy procurement; Puskud-41.3% in fertiliser transportation and 12.7% for sugar distribution; procurement of cloves-2.1%;
- Fees/commissions received from government programmes form the core of KUD working capital-24.8% for KUD Budi Makmur;
- Milk (almost 35-37% of national production), livestock, fruits and vegetables are main business of KUD members;
- No procurement, grading, processing and packaging facilities by KUD for fruits and vegetable handling;
- KUD produce cattle-feed in addition to private producers, but distribution is inadequate;
- All KUD-member business transactions are highly cash-oriented. Settlement through members' accounts not installed.

Hampering Factors/Problems

- Lack of capital
- Lack of business information
- Lack of marketing and shipment facilities
- No joint marketing, joint purchasing and joint-use facilities;
- Lack of guidance and training services from KUD

Development Plans

- Improvement of milk, vegetable and fruits handling and processing facilities including warehouses/cold stores
- Expand cattle-feed production facilities
- Expand/diversify livestock activities e.g., calves nurseries
- Expand farm guidance and training services
- Establish accounts settlement through computerization

05 WEST NUSA TANGGARA

Main Findings

- KUD main business revolves around government-supported programmes: fertiliser-22.9% (38.6% in respect of KUD Karya Utan), paddy-13.6% (31.3% in respect of Karya Utan), procurement of cloves (95.8% in respect of Puskud) and disbursement of farm credit;
- Fees/Commissions received from government programmes including telephone/electricity bills handling form the core of KUD working capital;
- No joint marketing, joint purchasing and joint use facilities concepts adopted by KUD;
- No procurement, grading and processing facilities by KUD for rattan, coconut and cashewnut (important products of the province);
- Livestock development, tobacco and corn have strong potential;
- RMUs, drying floors, warehousing and transportation facilities are inadequate;
- Due to inadequate rainfall, land tilling and other farm machines are in great demand.

Hampering Factors

- Acute shortage of working capital
- Lack of marketing facilities
- Lack of market information and communication facilities
- Members' account settlement a major problem
- No joint marketing, joint purchasing and joint-use facilities
- Lack of business relations with cooperatives/Puskud
- Lack of guidance and training services

Development Plans

- Farm machines and transportation equipment
- Improvement of rice milling, warehousing facilities
- Livestock development including Cattle-feed production
- Rattan, coconut and corn processing facilities

06 SOUTH KALIMANTAN

Main Findings

- KUD main business revolves around government-supported programmes: fertiliser-50.1% (highest being 97.0% for KUD Tungtung Pandang), paddy-17.1%, and farm credit;
- Fees/commissions received from government programmes form the core of KUD working capital;
- No joint marketing, joint purchasing and joint use facilities concepts adopted by KUD;
- No processing of oranges undertaken by KUD (a major product of the province);
- No business relations between the KUD and the Puskud and other cooperatives;
- All KUD-member business transactions are in cash;
- Farm machines, transportation equipment insufficient.

Hampering Factors/Problems

- Acute shortage of working capital
- Lack of marketing facilities
- No joint marketing, joint purchasing and joint-use facilities;
- Lack of business information
- Problems of accounts settlement

Development Plans

- Rice milling, warehousing and transportation facilities improvement
- Procurement of motorboats

07 SOUTH SULAWESI

Main Findings

- KUD main business revolves account government-supported programmes: fertiliser-22.7% (the highest being 43.5% in KUD Sipatuwo), paddy/rice-75.8%, clove procurement-63.4% for Puskud, 28.2% for sugar distribution also for Puskud, and farm credit disbursement;
- Fees/commissions received from government programmes form the core of KUD working capital;
- The province is a major paddy production area with a reasonable production of coffee, cloves, rattan and coconut, but KUD are not engaged in value-addition activities;
- KUD not engaged in poultry handling and processing;
- KUD not engaged in cattle-feed production
- All KUD-member business transactions are in cash;
- Farm machines, transportation equipment insufficient.
- Puskud-Hassanuddin is an active business organisation undertaking handling of cloves, coffee beans, cassava chips and distribution of consumer goods.

Hampering Factors/Problems

- Lack of working capital
- Insufficient ability to market members' produce
- Lack of marketing, warehousing and shipment facilities
- Lack of quality branding of members' produce
- Lack of business information
- Problems of accounts settlement
- Lack of Farm machines and implements servicing

Development Plans

- Development of collection and processing facilities for rice, coffee, and rattan
- Poultry and livestock development programmes
- Improvement/expansion of cattle-feed production
- Quality branding of members' produce
- Handling/processing of rice bran, paddy straw and corn
- Establishing farm machinery servicing centres

**SUMMARY
OF PROPOSED MASTER PLAN**

MAIN POINTS OF PROPOSED KUD MASTER PLAN

Particulars	N. SUMATRA	LAMPUNG	WEST JAVA
01 MARKETING BUSINESS			
-Introduce Concept	-do-	-do-	-do-
-KUD Linkages	-do-	-do-	-do-
-Accounts Settlement	-do-	-do-	-do-
-Mkt Info System using Radio	-do-	-do-	-do-
-Farm Guidance	-do-	-do-	-do-
-Brand Products	--	--	-do-
-Producers' Groups	-do-	-do-	-do-
-Computerisation	--	--	-do-
-Pooling Price thru Jt Marketing	-do-	-do-	-do-
-Encourage Joint Ventures	-do-	-do-	-do-
-Employees Training	-do-	-do-	Horticulture Trg. Centre
-Facilities	Pork Process Veg. Collection Cold Store Transport Grdg/Packing	RMU Rubber Centre Cassava Centre Transport Farm Mach Ctr	Veg Process Milk Process Fruit Process Trucks Warehouses
Warehouse	Warehouse	Poultry Proc.	
02 PURCHASING BUSINESS			
-Introduce Concept	-do-	-do-	-do-
-KUD Linkages	-do-	-do-	-do-
-Improve supplies for Waserda/TPK	Gasoline	Farm Machines	Farm Machines Workshop
-Business Info Sys using Radio	-do-	-do-	-do-
-Employees Training	-do-	-do-	-do-
-Encourage Joint Ventures	-do-	-do-	-do-
-Facilities	Warehouses	Farm Machines Trucks Warehouse Feed-mix	Farm Machines Trucks Warehouse Feed-mix Calves Nursery Grassland

03 AGRO-PROCESSING BUSINESS

-Facilities

Feed-mixing	RMU	Feed-Mix
Corn Crushing	Feed-mix	Milk Process
Cold Stores	Transport	Veg Process
Transport	Warehouse	(Potato Proc)
Fruit Process	Cassava Proc.	FruitProcess
Veg Process		

Particulars	EAST JAVA	NTB	S. SULAWESI
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01 MARKETING BUSINESS

-Introduce Concept	-do-	-do-	-do-
-KUD Linkages	-do-	-do-	-do-
-Accounts Settlement	-do-	-do-	-do-
-Mkt Info System using Radio	-do-	-do-	-do-
-Farm Guidance	-do-	-do-	-do-
-Brand Products	-do-	--	-do-
-Producers' Groups	-do-	-do-	-do-
-Computerisation	-do-	--	-do-
-Pooling Price thru Jt Marketing	-do-	-do-	-do-
-Encourage Joint Ventures	-do-	-do-	-do-
-Employees Training	-do-	-do-	-do-
-Facilities	Dairy Livestock Veg Process Cold Stores Warehouses Transport Grdg/Packing	RMU Rattan Process Transport Livestock Poultry Coconut	Rice Centre Seeds Poultry Livestock Coffee Fruit Process

02 PURCHASING BUSINESS

-Introduce Concept	-do-	-do-	-do-
-KUD Linkages	-do-	-do-	-do-
-Improve supplies for waserda/TPK	Farm Machines	Farm Machines	Farm Mach.
-Business Info Sys using Radio	-do-	-do-	-do-
-Employees Training	-do-	-do-	-do-
-Encourage Joint Ventures	-do-	-do-	-do-
-Facilities	Transport Warehouses	Transport Warehouse	Transport Seeds Coffee

03 AGRO-PROCESSING BUSINESS

-Facilities	Milk Process Feed-mixing Cold Stores Veg Process Fruit Process	RMU Rattan Process Cashew Process Feed-mixing Coconut Proc.	Rice Centre Feed-mix Coffee Corn Shellers
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MAIN POINTS OF PROPOSED MASTER PLAN

Particulars

SOUTH KALIMANTAN

01 MARKETING BUSINESS

- Introduce Concept -do-
- KUD Linkages -do-
- Accounts Settlement -do-
- Mkt Info System -do-
using Radio
- Farm Guidance -do-
- Brand Product --
- Producers' Groups -do-
- Computerisation --
- Pooling Price -do-
thru Jt Marketing
- Encourage -do-
Joint Ventures
- Employees Training -do-

- Facilities RMU
Warehouses
Coconut
Trucks/Motor Boat
Grdg/Packing

02 PURCHASING BUSINESS

- Introduce Concept -do-
- KUD Linkages -do-
- Improve Supplies Farm Machines
for waserda/TPK
- Business Info Sys -do-
using Radio
- Employee Training -do-
- Encourage -do-
Joint Ventures

- Facilities Transport
Warehouse

03 AGRO-PROCESSING BUSINESS

- Facilities RMU
-

**CRITERIA FOR SELECTION
OF KUD AND METHODS FOR DETAILED FIELD SURVEY**

I. KUD Selection Criteria

The selection of KUD as the target for the detailed field survey in seven provinces shall be decided based on the following guidelines:

- 01 To be selected from among districts which are coincident with agro-ecological system decided by the Ministry of Agriculture;
- 02 To be selected from among the districts and KUD which have potentials on the diversification of agricultural production and its high value addition;
- 03 The targeted districts shall be a maximum of two districts in one focus province;
- 04 The target KUD shall be of good capacity on management skills and belong to the three categories e.g., KUD Mandiri Inti, KUD Mandiri and KUD Mandiri Calon;
- 05 Each province shall have five KUD - three KUD in one district and two KUD in another district.
- 06 The selection of KUD shall be finalised in consultation with the Ministry of Cooperatives (Directorate-General of Rural Cooperatives).

II. Method of Detailed Field Survey

- 01 Prepare a detailed questionnaire in English and Bahasa Indonesia;
 - 02 Despatch the questionnaire to the target KUD sufficiently in advance before the visits;
 - 03 Ensure to obtain the completed questionnaire before visits; and
 - 04 Reconfirm the contents with the KUD officials during visits and get on-the-spot confirmation and additional information using additional proforma/questionnaire, if needed.
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KEY STATISTICS

SELECTED KUD STATISTICS - INDONESIA (Seven Provinces covered by the Study)

01. NUMBER OF KUD, KUD MANDIRI & MEMBERSHIP : AUGUST 1996

PROVINCE	KUD	MANDIRI	MANDIRI INTI	MEMBERS
01 North Sumatra	602	262	17	331,287
02 Lampung	255	165	05	256,123
03 West Java	758	755	55	4,126,209
04 East Java	752	683	38	2,349,078
05 N.T.B.	134	134	6	241,269
06 South Kalimantan	293	221	10	101,839
07 South Sulawesi	537	388	23	659,223
TOTAL	3331	2608	154	8,065,028
TOTAL:NATIONAL	9287	6031	356	13,420,257
% of National	35.8	43.2	43.2	60.0

Source: Department of Cooperatives-RI, Jakarta. Oct 1996

02. SITUATION OF CAPITAL IN KUD : AUGUST 1996

PROVINCE	KUD	OWN CAPITAL (Rp '000)	OUTSIDE CAPITAL (Rp '000)
01 North Sumatra	602	20,243,000	35,196,000
02 Lampung	255	15,969,000	34,169,000
03 West Java	758	80,304,000	151,256,000
04 East Java	752	128,612,000	276,562,000
05 N.T.B.	134	11,120,568	13,063,948
06 South Kalimantan	293	10,975,871	19,145,275
07 South Sulawesi	537	146,984,425	70,413,868
TOTAL	3331	414,208,864	599,806,091
TOTAL:NATIONAL	9287	1,037,587,102	1,149,832,002
% of National	35.8	39.9	52.1

Source: Department of Cooperatives-RI, Jakarta 1996

03. KUD ASSETS, BUSINESS VOLUME & SURPLUS : AUGUST 1996

PROVINCE	KUD	ASSETS (Rp '000)	BUSINESS VOLUME (Rp '000)	SURPLUS (Rp '000)
01 North Sumatra	602	56,925,000	94,096,000	1,486,000
02 Lampung	255	49,448,000	156,769,000	669,000
03 West Java	758	231,219,000	908,105,000	13,224,000
04 East Java	752	429,187,000	1210,751,000	5,272,000
05 N.T.B.	134	24,184,516	71,568,492	501,530
06 South Kalimantan	293	27,165,000	22,576,000	981,000
07 South Sulawesi	537	173,065,000	204,725,973	7,540,100
TOTAL	3331	991,193,516	2668,591,465	29,673,630
TOTAL:NATIONAL	9287	2080,581,950	4829,379,065	135,938,613
% of National	35.8	47.6	55.2	21.8

Source: Department of Cooperatives-RI, Jakarta 1996

04. KUD AND FARMERS' ORGANISATIONS : AUGUST 1996

PROVINCE	KUD	VILLAGES	FARM HOUSEHOLDS	TPK	KT
01 North Sumatra	602	4,908	1,090,290	1,137	17,321
02 Lampung	255	1,754	771,675	1,277	8,858
03 West Java	758	6,689	3494,680	5,221	37,173
04 East Java	752	7,740	4190,781	659	12,060
05 N.T.B.	134	521	435,900	1,328	9,629
06 South Kalimantan	293	2,058	374,638	286	7,421
07 South Sulawesi	537	1,803	935,354	2,160	11,326
TOTAL	3331	25,473	11,293,310	12,068	103,788
TOTAL:NATIONAL	9287	58,987	21,318,318	36,499	236,653
% of National	35.8	43.1	52.9	33.0	43.8

Source: Department of Cooperatives-RI, Jakarta. Oct 1996

05. KUD FULL-TIME EMPLOYEES AND MANAGERS : AUGUST 1996

Province	KUD	FULL-TIME EMPLOYEES	MANAGERS
01 North Sumatra	602	2,217	425
02 Lampung	255	11,575	206
03 West Java	758	8,326	757
04 East Java	752	9,215	738
05 N.T.B.	134	1,115	134
06 South Kalimantan	293	687	250
07 South Sulawesi	537	1,657	483
TOTAL	3331	34,792	2993
TOTAL:NATIONAL	9287	73,951	7613
% of National	35.8	47.0	39.3

Source: Department of Cooperatives-RI, Jakarta. Oct.1996

CHEMICAL FERTILISER

DISTRIBUTION OF CHEMICAL FERTILISER IN INDONESIA -A Brief Explanation

01 Chemical fertiliser (Urea, TSP, SP-36 and ZA) is produced by six government companies. These companies are: 1] PT Pupuk Sriwidjaja (PT Pusri), 2] PT Pupuk Kujang, 3] PT Petrokimia Gresik, 4] PT Pupuk Kalimantan Timur, 5) PT Pupuk Iskandar Muda, and 6] PT Asean Aceh Pertiliser.

02 As in June 1996, the total production of fertiliser in the country was 6 million tons against the total demand of nearly 4.5 million tons. By the end of 1999, the total production is expected to go up to 6.6 million tons against a projected domestic demand of 5.2 million tons.

03 The country is divided into three regions for distribution purposes. The grouping is as under:

- 01 Group A DKI Jakarta, West Java, Central Java, Yogyakarta, East Java and Bali;
- 02 Group B DI Aceh, North Sumatra, West Sumatra, Riau, Jambi, South Sumatra, Bengkulu, Lampung and South Sulawesi;
- 03 Group C West Kalimantan, Central Kalimantan, South Kalimantan, East Kalimantan, North Sulawesi, Central Sulawesi, South-East Sulawesi, Maluku, Irian Jaya, West Nusa Tenggara, East Nusa Tenggara and East Timor.

04 The distribution of fertiliser in the country is coordinated by PT Pusri. The producing units have their own warehouses at production sites as well as at the harbours of their Islands. The PT Pusri allocates the tonnage to various provinces, and ensures that a minimum amount of fertiliser is always available at the warehouses for a period of one to two months, as follows:

- Group A At Line-III At least for one month use;
- Group B At Line-III At least for 1.5 month use;
- Group C At Line-III At least for two month use.

05 The distribution for agricultural purposes is carried out through the network of KUD. The distribution for plantations and estates is done through the PT Pertani.

06 The distribution is spread over five lines - from production points to the KUD, the distribution level. The KUDs have been designated at the lowest levels as stockists (including reformulation and reconditioning) and distributors. The line scheme is as under:

- Line-I Production source warehouse and the provincial/harbour warehouse of the PT Pusri;
- Line-II Harbour level provincial warehouses for distribution;
- Line-III Warehouses at district (kabupaten) and sub-district (kecamatan) level from where fertiliser is distributed among the KUD; and
- Line-IV KUD as stockists, reformulators and retailers.

07 Some of the KUD undertake reprocessing and reformulation activities to make the basic fertiliser suitable for specific purposes and local use.

08 The distribution prices of fertiliser fixed by the government are as under (as in April 1996):

For Group A	Rp 312,093.37 per ton;
For Group B	Rp 303,452.11 per ton; and
For Group C	Rp 300,065.87 per ton.

09 The distribution fee for KUD for stocking, handling and distribution of fertiliser has been fixed as under (as in April 1996):

For KUD as Retailers

Group A,B,C Rp 2,750 per ton

For KUD as Stockists

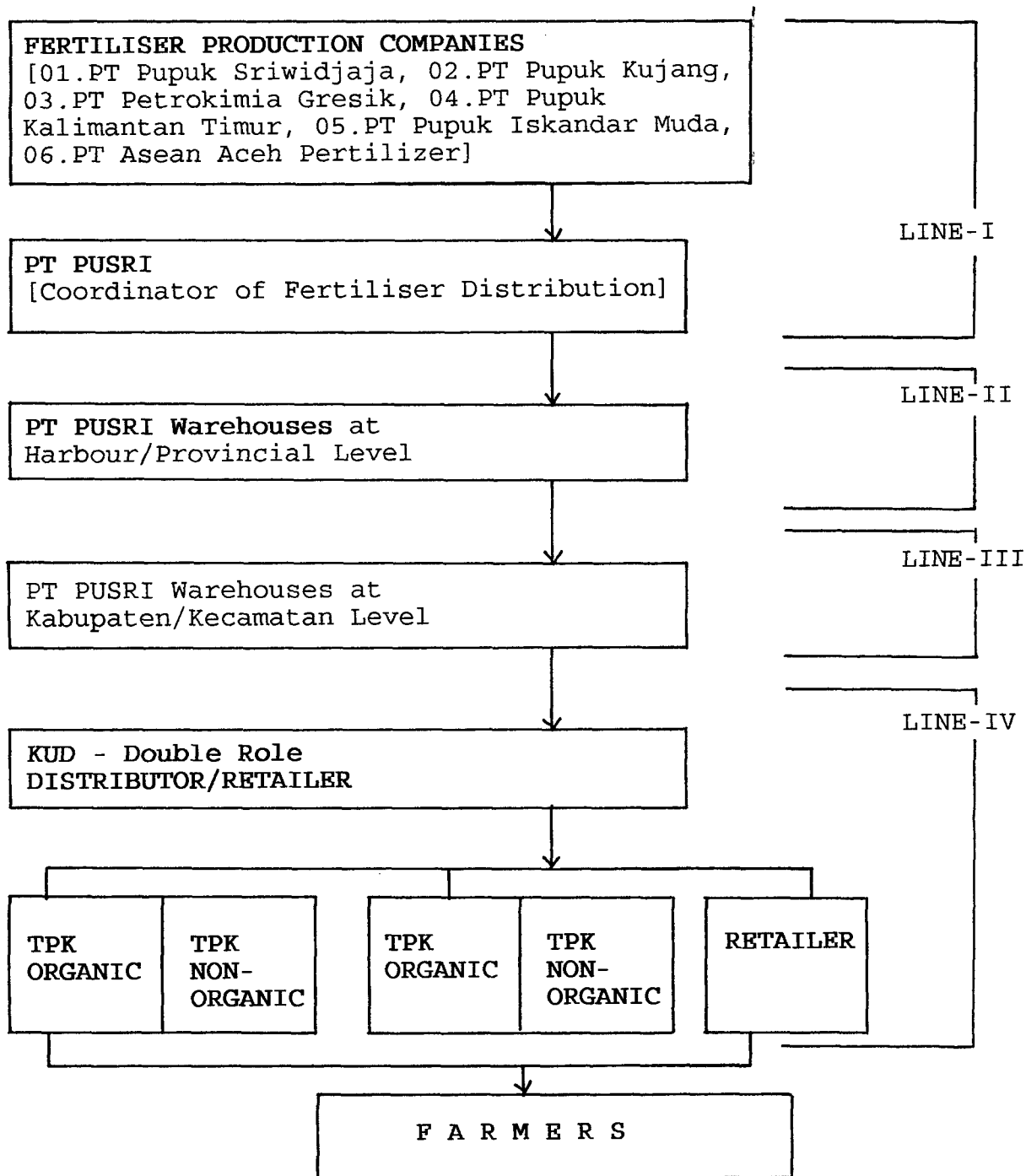
Group A,B,C Rp 7,500 per ton
(including handling & reconditioning etc.)

10 The transportation of fertiliser from Line-III to Line-IV is generally handled by the Puskuds. The Puskuds receive transportation fee for this service. In some cases, the Puskud also undertakes transportation of fertiliser from Line-II to Line-III, as transport contractors.

11 The Department of Cooperatives coordinates the distribution of fertiliser through the network of KUD in the country. The distribution of fertiliser is an important economic activity of the KUD.

Source: Pedoman Penyaluran Pupuk Oleh KUD. Department of Cooperatives-RI, Jakarta.1996

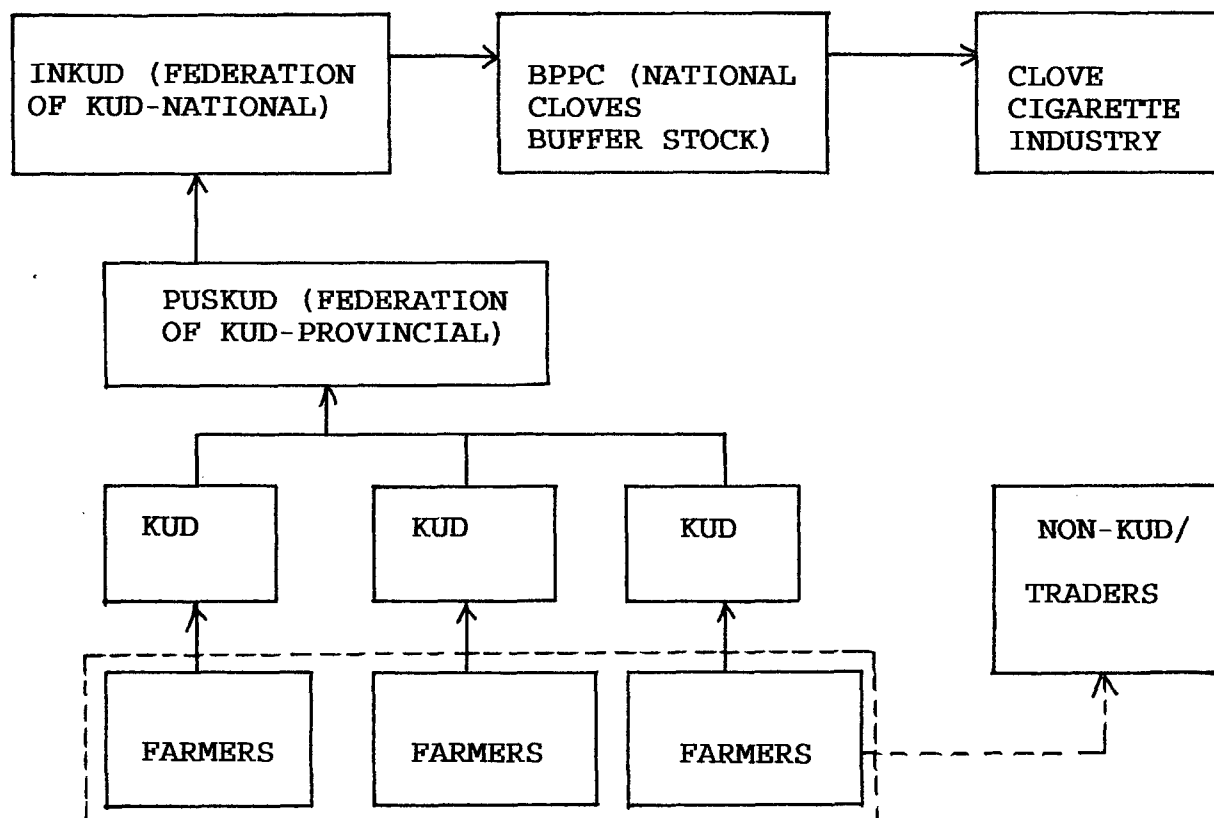
DISTRIBUTION OF CHEMICAL FERTILISER IN INDONESIA



[*] For purposes of distribution of urea and other chemical fertilisers, the entire country has been divided into three zones A, B and C. [*] Distribution prices for each variety of fertiliser have been fixed for each zone by the government. [*] In majority of cases Puskud is assigned to transport the fertiliser from Pusri warehouses down up to the delivery point of the KUD/TPK. [*] The government has also fixed tariff for transportation of fertiliser.

CLOVES BUSINESS

A FLOW CHART SHOWING THE PROCUREMENT OF CLOVES



[The clove cigarette manufacturing companies purchase their clove requirements from the BPPC (National Clove Buffer Stock). They are the major consumers of cloves in the country. The buffer stock is maintained with the collaboration of the KUD network - KUD at the primary level, Puskud at the provincial level and the Inkud at the national level. For procurement of clove, the procurement agencies receive a fee to cover the costs of cleaning, transportation and warehousing etc. Farmers are free to sell their produce either to the KUD or in the open market. Open market traders do not get any procurement fee, and do not sell the clove to the cigarette manufacturers. Procurement of clove is an important profit centre for the KUD, Puskuds and Inkud.]

JICA-JAPAN INTERNATIONAL COOPERATION AGENCY
JA/ZENCHU-CENTRAL UNION OF AGRICULTURAL COOPERATIVES-JAPAN
MINISTRY OF COOPERATIVES AND SMALL ENTERPRISES DEVELOPMENT
GOVERNMENT OF THE REPUBLIC OF INDONESIA

**STUDY ON INTEGRATED DEVELOPMENT OF RURAL COOPERATIVES-KUD
IN THE REPUBLIC OF INDONESIA 1996-1997**

ECONOMIC BUSINESS OF KUD INCLUDING AGRO-PROCESSING SECTOR

REFERENCE MATERIAL

Discussion Paper-I	01
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Press Clippings relating to Cooperatives and Agriculture				

Discussion Paper-I

COOPERATIVE DEVELOPMENT DURING THE REPELITA-VI/INDONESIA
(6th National Five-Year Economic Development Plan)

Prepared by Daman Prakash
Senior Consultant [Marketing and Supply]

01 In accordance with outlines of regional development, the cooperative development is aimed at creating cooperatives which are:

- i. capable of applying open and rational open management in organisation and business based on economic principles;
- ii. capable of promoting community awareness and motivation to join cooperative membership;
- iii. have ample access to market, economic resources, and feasible technology in order to able to drive, integrate and maximally utilise the resources to improve productivity and added-value;
- iv. able to develop cooperative business network, especially in the level of goods and service distribution chain between producers and consumers in order that the supply price is more favourable to farmers.

02 Based on the above directions, the target of cooperative development in the Long-Term Development Plan-II (PJP-II) is to create cooperatives as people's economic institutions which are existing in more regions, and develop as healthy and independent business entities, supported by inter-cooperative linkages and networks, with State-owned enterprises, as well as with private enterprises; to improve the performance of cooperatives in every sector in order to promote participation and better services towards members.

03 Qualitatively, the targets of cooperative development in Repelita-VI (Indonesia's 6th National Economic Development Plan) are as follows:

- i. Consolidation of self-sufficient KUD (Mandiri) to create Nucleus Self-Sufficient KUD (KUD Mandiri Inti) which act as rural economic development centres and motivators for management development programmes for other types of cooperatives;
- ii. Improvement of existing employee cooperatives development programme among medium and large enterprises to create cooperatives which are healthy, independent, strong and tough, and to promote them among enterprises in which

cooperatives are not yet existing;

- iii. Creation and development of consumer-based cooperatives;
- iv. Creation and development of "simpan-pinjam" cooperatives and "bank perkreditan rakyat" cooperatives;
- v. Creation and development of transportation cooperatives;
- vi. Creation and development of cooperatives in schools and universities;
- vii. Development of cooperatives business networks, especially in distribution level, and consolidation of mutually beneficial business partnership.

04 To achieve the above mentioned targets, the policy on cooperative development is aimed at promoting community's awareness, promoting members' participation in cooperative development programme, developing coordinated development programme, improving knowledge and skill in cooperative management, developing solid business network, and improving cooperative capitalization.

05 In accordance with the policy of the government so laid down, the following programmes have been developed for implementation throughout the country during the Repelita-VI:

A. Main Programmes

- Cooperative Education, Training and Extension Programme;
- Cooperative Financing Development Programme;
- Cooperative Business Improvement and Expansion Programme;
- Cooperative Institutional Development Programme.

B. Supporting Programmes

- Coop Development Programmes for Less-developed Areas;
- Cooperative Information Development Programme;
- Research and Development on Cooperatives Programme;
- Cooperatives for Young People Development Programme;
- Women Participation in Cooperative Programme;
- Legislation on Cooperative Development Programme.

Discussion Paper-II

PLANNING FOR COOPERATIVES IN INDONESIA

Prepared by Daman Prakash
Senior Consultant [Marketing & Supply]

Introductory

01 According to the 1945 Constitution of the Republic of Indonesia, a Cooperative is the pillar and an integral part of the national economic structure. The 1993 Broad Guidelines of State Policy states that national development is a development of, by and for the people. This message is already enunciated in the Principles of Cooperation. A cooperative, a socially-oriented endeavour is the most powerful instrument for alleviating poverty and backwardness and creating an equitably distributed development. In addition, a cooperative is an economic organization in which most of the people participate. Therefore, a cooperative, a grass-root economic movement, is appropriately included in all development efforts which seek to create a more equitable distribution of growths. It grows from the people, has its roots in the community and enjoys wide support from the people.

02 Nationally, cooperatives assumed significant roles in the supply and distribution of important commodities. Contributions by cooperatives to the national food programme exceeded 90%. They distributed more than 75% of the fertilisers and supplied around 55% of the national needs for milk.

Obstacles Faced by the Movement

03 Some of the Obstacles faced by the Indonesian Cooperative Movement have been summarized by a number of fora held by the National Cooperative Council, government, cooperative training and development institutes and others:

- 3.1 Lack of skills and professionalism among people who manage the cooperative institutions. Consequently, the cooperatives are ineffective, inefficient, and there is lack of participation by members in the organizational and economic affairs of their own institutions;
- 3.2 Cooperatives are financially weak mainly due to lack of capital and lack of efforts in mobilize their own savings;
- 3.3 Cooperatives have limited access to outside capital sources;
- 3.4 Cooperatives have little access to technology resulting into their inability to compete effectively in the open

market;

- 3.5 Lack of awareness among the members and leaders about their rights and obligations. The work mechanisms applicable to officers does not function efficiently resulting into day-to-day operational problems;
- 3.6 Lack of trust/confidence among cooperatives;
- 3.7 Lack of facilities and resources e.g., non-bank financial institutions, production and marketing;
- 3.8 Ineffective coordination and unsynchronised implementation of guidance programmes between sectors and regions;
- 3.9 Lack of public awareness/understanding of cooperatives.
- 3.10 Lack of initiative among the apex organisations.

The 6th Plan and Cooperatives

General Targets

04 Economic development during the 6th Five-Year Plan has established a number of targets. One of them is the restructuring and strengthening of institutions and systems for cooperatives. Thereby, cooperatives are expected to become more efficient and assume the main roles in the development of the rural community. These steps call for "improvements to the human resources involved in cooperatives". Improvements in this context mean increased organizational and managerial capacities and increased participation by members. They also mean increased acquisition, application and development of appropriate technology and stronger capitalization. Further, they mean stronger, horizontally and vertically, cooperatives networks and increased activities by agencies concerned with cooperatives. Thereby, their competitiveness and the welfare of their members are improved.

Specific Targets

05 Some of the key ones are listed below:

- Development of self-sustaining and self-supporting rural cooperatives;
- Secondary cooperatives to expand, produce and market commodities with high commercial value to domestic and foreign markets;
- Expand general services sector of rural cooperatives;
- Expand joint venture opportunities with government-owned companies and private enterprises on food processing, industrial and manufacturing;

- Each kecamatan to have at least one self-sustaining rural cooperative to serve as a learning centre for others to follow;

06 It is also proposed to eliminate weaker cooperatives by encouraging them to join the progressive ones in their respective areas - a step towards amalgamation of rural cooperatives with a view to reduce their number and to create more economically-viable units, with more specialized branches.

07 During the 6th Plan, 8,000 new employees' cooperatives and 3,000 self-sustaining employees' cooperatives are to be established in the private companies. Efforts are pursued to consolidate and strengthen the 4,000 cooperatives of civil servants and of the armed forces, 1,500 multipurpose cooperatives, 24,000 financial services cooperatives, 1,500 industrial and electric services cooperatives, and 1,000 cooperatives for traders, housing development, tourism and professionals are to be promoted. It is also expected that the secondary level cooperatives/ federations will strengthen their economic and organizational bases.

Development Policies

08 The 6th Plan envisages that the development of cooperatives - both rural and urban - will take place provided there are adequate supportive policies. As a result, the following policies have been laid down in the Plan:

- i. Market and market share access through increased business relationships and opportunities. Rules and regulations are enacted to promote growths by cooperatives while ordinances which obstruct their growth are rescinded. Systems are created for the delivery of adequate information on markets, prices, production and distribution;
- ii. Increased access to sources of capital to strengthen cooperative capital structures and to enhance their capacities in utilizing capital. Measures are taken to raise the ceilings and types of loans to cooperatives, mobilize savings, net profits set aside for cooperatives by state-owned companies, government equity participation, fees cooperatives earned from implementing government programmes;
- iii. Enhanced organizational and managerial capacities through improvements to the entrepreneurial initiatives and professionalism of members, officers, supervisors and employees of cooperatives. Efforts are pursued to promote understanding of the values and spirit of cooperatives through education, training and the delivery of information not only to members and officers but also to the general public;
- iv. Access to technology and the application thereof. Efforts are pursued to stimulate innovations and obtain copyrights,

to provide ease in modernizing equipment, develop and protect technologies controlled and passed down from one generation to another generation;

- v. Horizontal and vertical partnership by cooperatives as well as international cooperative ventures. These are carried out through, among others, trade contracts, sub-contracts, joint ventures and other partnership arrangements. They are based on the principles of mutual needs, support and profits. Partnerships are promoted through the sale of shares to cooperatives by private concerns proved to be in sound financial conditions. Enabling laws and regulations are appropriately enacted.

Source: 6th Five Year Plan Document
Bappenas-RI (National Planning Board).1996

Discussion Paper-III

STRATEGIES FOR THE DEVELOPMENT OF RURAL COOPERATIVES IN INDONESIA IN THE SERVICE OF RURAL COMMUNITY

Prepared by Daman Prakash
Senior Consultant (Marketing and Supply)

Recapitulation...

Though the total production of food crops has increased every year, there are still many problems in the agriculture sector, such as:

- The average acreage of land which is managed by the individual farmer is very small;
- The farmers still lack capital for operating their farms in a proper and profitable way;
- The education of many farmers is still low, and some of them are oriented to subsistence farming only;
- The availability of inputs near farming areas when needed by the farmers is still rare, especially for the isolated areas. It is often difficult to find the inputs when they are needed;
- The farmers still do not care about the quality of their products. This reduces the prices that they receive, especially during the rainy season and in harvesting time;
- Production costs are high because of inefficiency in farm management and the small size of farm holding;
- The role of cooperatives (KUD) in the rural areas should be improved so that the cooperative can provide farmers with farm inputs on a more widespread basis;
- Supplies of recommended varieties of seed are often unavailable. If there is a good seed in a rural area or village, the price is higher than the farmers can afford.

Agricultural Marketing and Credit System

Marketing System: According to the Central Bureau of Statistics of Indonesia, most of the agricultural products such as corn, beans, palm oil, vegetables, cassava (pellet and chips) are exported directly to Japan, Holland, United States and EEC. Most of these pass through the Singapore and Hong Kong markets. The role of the EEC market for Indonesian agricultural products, especially cassava pellet and cassava chips, has grown in

importance. But Indonesia is starting to encounter problems of over-supply in the EEC markets.

The food crops marketing system in Indonesia is now divided into three main commodity groups: first, rice, which is the main domestic food source commodity strategy; second, secondary food crops such as cassava (pellets and chips, cassava flour, tapioca), corn, soybeans and peanuts as export commodities; and third, vegetables and fruits as export commodities. Most food crops marketing is handled by the private sector. The remainder is handled by the Bulog, and the KUD.

The food crops marketing policies of the government have three main missions: first, helping to increase production by providing good economic incentives and establishing minimum price for certain commodities; second, encouraging the private sector (traders, exporters, importers) to participate actively in efforts to increase food crops production as well as expanded marketing promotion; and, third, involvement of the cooperative sector in farm product marketing to help the farmers achieve marketing efficiency.

Among food crops, cassava is the largest source of Indonesia's trade. Fruits are exported as fresh fruits and canned fruits. Some vegetables are also exported to Singapore. The farmers may sell their products in the village/district markets, or at their own house or field. The collector-merchant comes to the village or the farmers's house and buys agriculture products from the farmers directly. This collector-merchant resells the products to a bigger merchant or to a wholesaler in the city. The quality of food crops is still low and variable. So if the farmers want higher prices, they should improve the quality of their products. At the present time the collector usually grades the product himself after it is bought from farmers in the field/village. Extension workers have begun to teach farmers how to grade such products as rice, soybeans, and corn. But some times the farmers do not care about quality because they need money right after harvest.

Collection and dissemination of price information for various grades of food crops are being undertaken by government. This way, the farmers would know how much more they could receive for better grades. Through this effort the farmers would earn more income by paying attention to the quality of what they sell. To improve the agricultural marketing system, farmers are asked to sell their products in groups, instead of selling them individually, so that marketing costs would decrease. But this effort has not had much effect because of small quantities sold, poor products quality and varying harvest times of farmers. The following are immediate problems of agricultural marketing:

- Low prices for agricultural products, especially food crops, in the rural areas at harvest time;
- Lack of good transportation facilities in the rural areas, especially in the isolated areas;

- Price fluctuations are very great for food crops and it is difficult for farmers to predict seasonal problems;
- The grading system at the farmer's level is poor. Usually farmers sell their products right after harvesting in the field without grading;
- The production centres are spread throughout Indonesia, which consists of many islands. Thus, the marketing costs of several food crops are high. The small marketable quantities make it difficult to achieve economics of scale in marketing operations;
- There is lack of storage facilities in rural areas, compelling the farmers to sell all of their products right after harvest time.

Credit System: Credit for farmers has been supplied by the government since the 1960s through the BIMAS Programme (Mass Guidance Programme). Through this programme, many farmers have already received credit for increasing production, especially for rice. As a result, this has helped Indonesia to reach self-sufficiency in rice production by 1984.

To use resources efficiently, the government changed the BIMAS credit system into the Farm Credit (KUT) system. The credit is now given to the farmers in groups, through the KUD. Besides this system, farmers can obtain credit also through the Rural General Credit (KUPEDES) system, the Permanent Capital Operation Credit (KMKP) system, and the Small Investment Credit (KIK) system. Varied amounts of credit are available from each system. Because farmers still lack knowledge on how to deal with banks, the last three credit sources are still not benefitting many farmers.

To increase the usefulness of the Farm Credit-KUT system, the government has to guide or supervise the farmer groups and the KUD through extension workers in the field. Farmers in the village are being encouraged to join the KUD, so they can be served farm inputs in the rural areas. Though a credit system already exists, farmers still face many operational problems and they are not able to make use of such facilities.

I. Mission of KUD to Promote Agricultural Development

01 By virtue of their origin in the agricultural sector, their closeness to the basic farmers, their recognition by the government as important partners in handling farm inputs and outputs, their placement as important basic economic units in the national economy, their strength as prime-movers in dissemination of farm-related extension services among the farmers, KUD (multipurpose rural cooperatives) in Indonesia can still perform more expanded and diversified activities.

02 Prior to the era of self-sufficiency in rice production, KUD were regarded as the most important people's economic units for

distribution of farm inputs like chemical fertilisers, farm chemicals, farm credit (short-term and long-term), improved seeds and procurement of rice and other essential farm products for the national food stock, and, at the same time, for distribution of government-designated agricultural commodities and other items for the rural population throughout the country. The KUD were, therefore, considered as essential components of the government agency, the Bulog. The Ministry of Cooperatives, the Ministry of Agriculture and the Bulog, were, therefore, relying heavily on the KUD network to ensure: a) reasonable returns to the farmers for their products; b) stabilisation of prices of key farm products; c) equitable distribution of essential commodities among the rural Indonesia population; and d) distribution of farm inputs, farm credit and farm extension services, besides being used to carry further various government programmes. For this purpose, the government had provided a variety of legal, economic and infrastructural support services to the KUD network.

03 However, with the advent of open market economy, and shortage of government funds, some of the government programmes of assistance to the KUD were reviewed. The Bulog started purchasing lesser amounts of rice/paddy and the farm credit being restricted only for special purposes e.g., paddy, sugarcane production and credit for small traders. Also some of the farm products from abroad started coming into the country due to the open market situation. Consequently, the working capital of KUD got reduced. The income of farmers from their business transactions with their KUD also got reduced. But still the role of the KUD as a basic economic unit in the rural areas remained visible and the farmer-members continued to remain within the KUD business-fold. The KUD entered into new business zones to supplement their income e.g., telecommunication services, electricity bills collection, diversification of their business lines by entering into some joint ventures with some private enterprises and even formed their own secondary level business organisations and some autonomous business activities.

04 While the usefulness and relevance of the KUD had not diminished, their effective role in the process of agriculture-related business got eroded as the members started looking elsewhere for fulfilling their credit and marketing needs.

05 In the light of the above, there is a great need now than ever before to critically examine the role of the KUD and outline a more realistic role for them to not only develop agricultural activities further but to increase the income levels of farmer-members in Indonesia so that the KUD continue to exist and the farmer-members to remain attached to them.

06 The following strategies are suggested:

As Agencies to Increase Agricultural Production: Business dealings between the KUD and their members should be made more attractive, rewarding and transparent. It is possible only if the KUD is able to provide the members timely and sufficient credit and provide the related services to them e.g., procurement,

grading, packaging, marketing, transportation, warehousing, business information and extension. To overcome shortage of capital, the KUD should be able to negotiate business deals with bulk consumers, wholesale market operators, joint business ventures in marketing and processing of local products like vegetables, fruits, poultry and meat production. Business deals can be sustained based only on quality products in response to their market needs (domestic and/or foreign markets).

The KUD should consolidate all their members. More and more of members' groups based on products and identify for them the stable markets. Higher level of guidance to such groups is to be provided to meet the requirements of market.

The KUD should, therefore, provide the following services:

- Timely, sufficient and cheap/easy credit to members;
- Complete range of infrastructural facilities e.g., procurement, grading, packaging, primary processing, transportation, warehousing, marketing etc.;
- Farm inputs e.g., improved seeds, fertilisers and chemicals, post-harvest and crop protection including water and soil testing services etc.;
- Comparative study visits to progressive areas e.g., to demonstration farms, interaction with progressive farmers and agricultural universities and institutions;
- Business information, farm guidance, farm production planning methods and techniques, better-living activities, and member education and staff training activities;
- KUD to impress upon national policy leaders to establish cooperative financing institutions at the district and provincial levels to cover their credit requirements. The present cooperative-owned Bukopin does not satisfy the needs of small farmer-members.

As Agencies to Generate and Develop KUD Business: In many areas e.g., Pangalengan of West Java, KUD members undertake cultivation and business of special varieties of potatoes through members' groups on contract basis. The KUD merely act, in the background, as negotiators and do not undertake the business themselves. The business transacted by the members' groups does not reflect in the main accounts of the KUD. This practice may bring economic benefits to the members' groups but not to the KUD itself. The business is not transparent. The KUD do not handle the business directly. Also in several other areas, KUD remain ignorant of the market price trends. The linkages between the KUD and their secondary organisations remain very thin e.g., between the KUD and the Puskud. Puskuds, in several cases, run parallel business which adversely affect the interest of the KUD and their farmer-members. Again, in West Java, the Puskud does not procure horticultural products from its members for its supermarket, for

instance.

To ensure a higher business level, the KUD should undertake the following activities:

- To establish an inventory of main products of the farmer-members and of major buyers of such products;
- To undertake a survey of nearby high consumption areas and identify the main products which are needed by such consumption areas. The KUD to enthuse their members to produce such needed items and provide them with necessary business information and guidance;
- To obtain agreements of bulk buyers and negotiate procurement prices on behalf of the members;
- With the help of bulk buyers to institute primary processing activities with the objective of adding value to the primary products e.g., grading and packaging of horticultural products;
- Assist the Waserda-owning KUD in the procurement of merchandise from the production source or through the wholesale suppliers - cooperative or private enterprises;
- Broaden the business lines e.g., improving the production quality of cattle-feed, mixing of chemical fertiliser to adapt to the local conditions and local products, grading and marketing of poultry products, establishment of farm machines repair or maintenance workshops, improvement of rice processing machines and warehousing facilities, institution of extra/surplus fresh milk for local consumption, processing of off-grade material e.g., broken rice, mungbeans, crushed corns etc. for use by the local bakery or cattle-feed manufacturers etc.,
- Enter into processing activities by making use of the locally-available raw material e.g., paddy straw to be converted into strawboard (for use in rural housing programmes, warehouses, cattle-sheds etc.), compost manufacture etc.,
- Take up cattle-rearing programmes in highland areas of West Java, and in some of the areas of South Sulawesi for increasing dairy and beef-cattle population. Although a large number of farmer-members own poultry, but the products are handled through private channels. The KUD should enter this business in a big way. For this the KUD have to develop related infrastructural facilities.

II. What the Government Should Do to Promote KUD Activities

KUD in Indonesia were initiated by the government. Over the years the government tried to make the KUD as member-driven

institutions but still their controls remain firmly in the hands of the government through various instruments - formal and informal. KUD business survives mainly on government programmes e.g., fertiliser distribution, farm credit disbursement, rice procurement, distribution of essential commodities and cloves procurement. Whenever there has been any shrinkage of these programmes, the financial conditions of the KUD worsened. The KUD suffer from acute shortage of working capital. There are no financial institutions which provide farm credit on easy terms. There are no cooperative financial institutions within the KUD system which could lend a helping hand.

There are no specific KUD human resource development programmes and institutions. The existing training centres (Puslatpenkop and the Balatkops) all cater to the training needs of government officials in a majority of cases and partly of the KUD personnel and members. The Dekopin, the national apex of cooperatives, has no specific development programme for the KUD network. In fact, the government forbids the Dekopin or other promotional agencies to carry out any KUD development activities (since the government fears that the government KUD strategies might go astray). The secondary level institutions like the Inkud and the Puskud play very insignificant KUD development roles. KUD, literally fend for themselves - some survive and some collapse. The secondary level federations often enter business which is detrimental to the interests of their own affiliates. There is no well-established business linkage between the KUD at the primary level and the secondary level federations. There is no serious understanding and application of joint purchasing, joint marketing and joint-use facilities concepts among the KUD. The federations do not provide any business information, business contacts, business facilitation to their members, except for holding their general meetings and collecting subscriptions from their affiliates.

In the light of the above, the following steps could be taken by the government to promote KUD activities in the country:

- Make provisions in the Cooperative Law or in some other legislative instruments to establish cooperative financing institutions at the district and provincial levels to provide farm credit on easy terms;
- The Inkud and the Puskuds establish business promotion units within their structures which are able to provide to the KUD: business information; business contacts with private enterprises; encourage joint ventures in agro-processing; consultancy services; and legal support and consultations;
- The government should loosen its administrative controls over KUD and treat the KUD as independent business entities;
- The government to immediately establish a joint central training and development agency (government and the Movement being equally represented) to provide HRD

programmes for three categories: Board Members, Managers and Key Members. The government should provide 100% grant-in-aid to run this programme for the first five-ten years and with 10% decrease in the subsequent years. Correspondingly the Movement to take over the shortfall by making the training programmes as paid/self-financed or self-supporting programmes;

- The government to soonest transfer all its training centres to the Movement/suggested training and development agency under financing conditions as mentioned above. The name of the agency could be: the National Council for Training and Development (NACOCET);
- The government to help collect the Cooperative Education Contributions from the cooperatives/KUD and match it with 100% contributions to institute regular member education programmes at the KUD level. The fund so collected should be placed under the charge of the Dekopin. At present this collection is insignificant because there is no support from the government to collect the fund. It should be made obligatory on the part of the auditors to indicate in their audit reports the share of each cooperative, and ask the cooperative to remit the fund to the Dekopin. A compliance of this noting should be sought by the auditors during the next audit. The defaulting cooperative should be asked to remit double of the defaulting amount;
- The government should make it obligatory, through rules and administrative procedures, that all managers of KUD should be trained and qualified to handle business matters;
- The government should establish minimum wages to be paid by KUD to their officials. If KUD are paying more or are willing to pay more, the government should not object to this;
- All business transacted by the KUD and Members' Groups (Kelompok Tani) should be routed through the books of the KUD and the KUD should be kept informed by the KT's if any business deals have been made by them with traders/buyers. At present KT's in some cases maintain their own accounts and the business does not reflect in the books of the KUD.

III. The Role of Cooperative Leaders and Policy-Makers -An Opportunity for Self-Evaluation

Looking at the current situation of the KUD sector, and the problems faced by them and their members, it is necessary that the policy-makers and cooperative leaders evaluate the roles of the two segments (KUD and non-KUD) of the Indonesian Movement. There cannot be a better timing for this than the 50th Indonesian Cooperative Day (1997). The following issues might be of some interest:

- Examine critically and to the best advantage of the members, the entire relationship between the KUD and the Puskuds, and between the Puskud and the Inkud, from the viewpoint of economic business rather than of a formal membership, by holding some serious and professional types of national conventions attended by KUD basic members and leaders;
- With a view to activate KUD business, introduce the concepts of joint marketing, joint purchasing, joint use of facilities, joint use of capital and members' accounts settlement procedures. This will encourage KUD-to-KUD relationship at the horizontal level;
- Encourage KUD to enter into joint ventures with private enterprises to overcome the shortage of working capital, in some selected sectors e.g., horticulture, fruits and vegetable processing, poultry, livestock etc.;
- Members' deposits with the KUD should be made more attractive by giving market rate interests, especially on voluntary deposits. This will strengthen the working capital base and enhance members' participation in KUD business. (At present members prefer to retain surplus cash either at home or deposit with the private banks since the KUD does not give any attractive interest on such deposits);
- Farm credit be made available on concessional rates to increase agricultural production and to strengthen economic position of farmer-members. For this purpose establishing a chain of district/provincial level cooperative financing institutions become inevitable;
- Comfortable funds be provided for undertaking member education, farm extension and KUD staff training programmes;
- With a view to consolidate education and training programmes and strengthen related institutions, a National Council of Cooperative Education and Training (NACOCET), under the joint patronage of the government and the Dekopin, be established, and provided with adequate funding. The government is, in any way, obliged to educate and train the cooperative members and employees. The NACOCET could be assigned the tasks of research, training, education, cooperative extension and development for the entire Cooperative Movement. This will, hopefully, streamline the HRD efforts instead of maintaining a host of present HRD institutions and funded by the government;
- The Inkud, in association with other business federations and the government, to establish a market information system, for the benefit of cooperative institutions in the country;

- Special grants or 'no-interest' or 'low-interest' funds be made available to the KUD and KUD members in some sectors e.g., rattan processing, rubber processing, sugarcane cultivation, horticulture, cattle-feed production, upgrading of existing rice milling units, land-tilling and transportation equipment;
- Weak KUD be amalgamated with others to create stronger units for providing better services to their members. The amalgamated KUD could then serve as technical service branches of the main KUD. They will eventually work together with private enterprises in agro-processing sectors;
- The quality of advisory and other services from specialised institutions like the insurance and audit cooperative be further improved and the costs be made more reasonable for the KUD/cooperative to be able to afford.

IV. Assistance to KUD Sector in Indonesia by External Agencies

In the past a number of international agencies and donor national agencies, had supported the development of KUD system in Indonesia. These included the UNDP, ILO and the FAO. Under bilateral arrangements, the KUD system was supported by, among others, the following:

-World Bank: The World Bank had carried out an extensive study on the Cooperative Movement, especially on the KUD, during the '80s and had suggested wide-ranging improvements in the organisational structures of KUD, and government KUD policies. The main focus was to democratise the KUD system, make the KUD more business-oriented and place emphasis on human resource development. The Bank saw the KUD as important development institutions for the people, and an important segment of national economic development process.

-Asian Development Bank: There has not been any direct development project for the KUD. The ADB, however, had expressed during early '90s that linkages between the KUD organisational structure (KUD-Puskud-Inkud) should be clarified, strengthened and operated on business lines. There has not been any lending for KUD. The ADB might like to provide loans for working capital and infrastructure development.

-FES/Germany: Instituted the Cooperative Audit System (KJA); supported the accounting system; supported the Cooperative Management Consultancy (CMC) approach; and, even now, conducts some leadership development training programmes.

-The Netherlands: No direct project for KUD. Dutch associate experts were, however, provided to work under UN-supported KUD projects.

-Switzerland: The Swiss had worked on a project in Lombok for nearly six-seven years trying to develop business linkages between the KUD and the Puskud. There is no direct support to KUD at present. During 1985-93, the Swiss Development Cooperation had contributed funds to the ILO/KUD project. (I had worked on the Project as its Chief Technical Advisor during 1985-88). This assistance is no more available. There is no intention to support the KUD programme further.

-CCD/Cooperative Centre Denmark: Supported milk cooperatives/KUD and cooperatives in general on business development, perhaps since 1980-81. At present the CCD (with funds available from the DANIDA) supports, since 1987, cooperatives in general, and the Lapenkop of the Dekopin in Bandung. KUD happen to be the major beneficiaries of the assistance. The CCD is located in Bandung. It has three professional staff for technical work.

-CCA/Canadian Cooperative Association: Helped organised FORMASI - a consortium of independent cooperatives to undertake business activities. The FORMASI operates under the Dekopin. It also offers training programmes for KUD/cooperative managers. The main focus has been on women and basic members of KUD/cooperatives. It had also supported the JUK Programme (Business Information Network) of the Dekopin. The CCA currently provides, through the GKSI, business consultancy support in technical matters to dairy cooperatives.

-ICA Regional Office for Asia and the Pacific (ICA RQAP): No direct support to the KUD as such, but invites participants to its technical meetings from among KUD. Dairy cooperatives and some of the KUD have sent their managers for training at ICA training programmes. The ICA has three member-organisations in Indonesia e.g., the Dekopin as an umbrella organisation, the GKSI and the INKOPKAR. The ICA, of course, likes to promote on a continuing basis member education, staff training and leadership development activities among KUD provided sufficient funds were available.

-Japan/JICA-Japan International Cooperation Agency: Since mid-'70s, the JICA has been providing consultancy support to the KUD through the government on rice infrastructure development, and some studies on business development of the KUD. Several JICA experts were made available to the government under Japan-Indonesia Umbrella Cooperation Programme and other projects.



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**MY ASSOCIATION WITH THE
INDONESIAN COOPERATIVE MOVEMENT**
-An Exercise in Self-Development

Daman Prakash, Director
ICA-Japan Agricultural Cooperative Management
Training Project for Asia-Pacific

{For good eight years I drank the waters of Indonesia Indah from Banda Aceh, the West-most tip to Irian Jaya, the East-most tip of the country, and saw for myself, unfolding before me, the secrets of the fascinating blending of the cultures and religions of Indonesia with those of my own...The Indonesian leaders and intellectuals have the capacity, capability and wisdom to strengthen their own cooperative institutions, which are the heritage of Indonesian culture, thought, philosophy and tradition of 'Gotong Royong' - the spirit of Working Together.}

The Association

01 From out of a total span of nearly 35 years of my professional work in the Cooperative Movement, a total of eight good years were devoted to the service of the Indonesian Cooperative Movement. I have been one of the very few Indians who had the opportunity of working for the development of the Cooperative Movement of this country. For five years I had worked and led the ILO-UNDP and ILO-Swiss KUD Development Projects together with the Department of Cooperatives and the Dewan Koperasi Indonesia (Dekopin). During these projects we were able to develop, instal and experiment with the concepts of Cooperative Management Consultancy (CMC) and self-supporting member education activities. A large number of CMC consultants and member education trainers were trained who were subsequently deployed by the cooperatives in the field. Happily, these activities are still in operation. For almost two years I had also worked as a Senior Technical Consultant on a JICA/JA-Zenchu-Japan-sponsored team on Project for Integrated Development of KUD in Indonesia. Rest of the period was spent on various developmental activities in Indonesia of the International Cooperative Alliance (ICA), with which I have spent a major portion of my life, including the organisation of the 2nd Asia-Pacific Cooperative Ministers' Conference held in Jakarta in February 1992, which was inaugurated by President Suharto. In my professional work I had also the pleasure of associating myself

with senior level cooperative leaders, government leaders and officials, scholars, managers, trainers, field extension workers and basic members of all types of cooperatives, especially the KUD. I had also participated in a number of seminars, conferences and technical meetings organised by the Dekopin, the Department of Cooperatives, universities, institutions of higher learning and cooperative institutions.

02 My best associations were with the basic members of cooperatives and the field extension workers. These simple people were real, objective, sincere and full of enthusiasm. My contacts with them were very rewarding. During the course of my work in the country, more intensively from 1981 onwards, I drank the waters of Indonesia Indah from Banda Aceh, the West-most tip to Irian Jaya, the East-most tip of the country, and saw for myself, unfolding before me, the secrets of the fascinating blending of the culture and religions of Indonesia with those of my own. It was heart-warming for me to visit KUD Temple in Yogyakarta, in the vicinity of the world-famous Buddhist Borobodur Temple, which was once visited by none other than the President of India.

03 Based on my interaction with the individuals, institutions, studies and observations, I had also written several articles and produced some teaching manuals and training packages, some of which were translated into Bahasa Indonesia and published. I do not claim that I have a comprehensive knowledge and understanding of the Indonesian Cooperative Movement, but I do appreciate the situation and follow the trends in their development. The Indonesian cooperatives had the advantage of receiving technical advice on their development from a number of international organisations and cooperatively-advanced countries. Major contributors have been the ILO, UNDP, FAO, JICA, FES, ICA, CCA, CCD, Swiss Development Corporation etc. The government and the Movement had participated in all these development-oriented exercises. A number of institutions have been created. I had the benefit of observing all these developments. On the learning side, I was able to absorb the finer points of the Javanese culture and the way of life of the Indonesians.

04 Based on these first-hand professional experiences I would like to bring up a few points for the attention of policy-makers, cooperative workers, leaders and co-professionals with the objective of strengthening further the Movement and making it more member-driven and service-oriented. Cooperatives, particularly the rural cooperatives, are today standing on the crossroad - to sustain themselves or to perish. They are re-evaluating their strategies in the context of open market economic forces. Many of them are afraid and many of them assert that they can withstand the pressures of competition because they think that their members are with them and they conduct business with them.

The Broad Spectrum of the Movement

05 The Indonesian Cooperative Movement has two principal segments - the KUD segment and the non-KUD segment. The KUD

(Koperasi Unit Desa) are the rural multipurpose cooperative institutions at the primary level with a higher level of involvement of rural population, obviously the farmers, farm workers, small traders, fishermen, dairy farmers etc. The non-KUD segment covers the rest of the lot e.g., thrift and credit cooperatives of civil servants, armed forces, industrial workers, professionals, traders and all other types of cooperatives. The KUDs are structured vertically in provincial business federations of KUDs (the Puskuds) and the national federation (the Inkud). Milk cooperatives and KUDs doing milk business are federated into a national federation of dairy cooperatives (the GKSI).

06 There are nearly 16 national level business federations of all types of cooperatives. All of them are the affiliates of the Dekopin. The non-KUD sector is regarded to be self-sustaining, self-propelling and self-supporting sector, and consequently does not look for financial support from the government. They finance their own programmes from their own resources and provide to their members a variety of services e.g., consumption loans, consumer goods, housing assistance, medical care, consultancy, member education and staff training etc. One of these federations has established its own banking institution on commercial lines. Some of the federations have their own production units, sales outlets, and fairly large business operations e.g., the batik and dairy federations etc.

The Rural Cooperatives Sector

07 In the rural sector, nearly 10,000 KUDs service roughly 20-30% of the national population, and roughly 50% of rural Indonesia. The KUDs were conceived with three principal objectives in view: i) It was necessary that the farmers are structured, organised and provided with some full-time remunerative opportunities; ii) The existing land resources be appropriately re-organised with a view to ensure that a constant flow of food-grains to the people is maintained; and iii) An institution, like that of a KUD, be installed to help the farmers to make the best use of their land resources and serve as a link between the farmer-producers and the consumers through the national food-stock agency-Bulog.

08 The KUDs were established by the government with the main objective of maintaining national food supplies in collaboration with the Bulog. These institutions were procuring rice and other grains from the farmers, doing simple processing e.g., rice milling, and distributing essential commodities including farm inputs. In order to ensure that the supply and distribution functions operate smoothly, they were provided with several services and facilities e.g., warehouses, rice milling units, drying floors, transportation equipment, monopoly on distribution of chemical fertilisers and disbursement of farm credit. They were also given incentives by way of commissions on fertiliser distribution and farm credit disbursement with the objective of strengthening their capital base and business operations. It was envisaged that KUDs would eventually become **economic centres** for rural Indonesia and, also strengthen democratic management

practices in the country. Since a large number of members, management members, managers, employees were involved in the KUD sector, the government also created and operated a set of training and development institutions at the provincial and national levels e.g., the Balatkops and the Puslatpenkop. To cater to the needs of the entire Cooperative Movement, the Movement also, with the support of the government, created several development institutions e.g., the IKOPIN (the Institute of Management), the AKOPs (Academies of Cooperatives), and LAPENKOP (Institute of Cooperative Education) to support human resource development activities.

09 President Suharto has consistently advocated the expansion and development of KUDs in the country. He had once said: **"Cooperatives must be built up to be a proper means to gather power for the economically-weaker group...Through cooperatives we want to distribute, equally, development output which will lead towards social justice."** This sentiment echoes the feelings of Pt Jawaharlal Nehru, the first Prime Minister of India, himself a strong advocate of the Cooperative Movement, when he said: **"...but my outlook at present is not the outlook of spreading this Cooperative Movement gradually, progressively as it has done. My outlook is to convulse India with the Cooperative Movement, or rather with Cooperation: to make it, broadly speaking, the basic activity of India, in every village as well as elsewhere; and finally, indeed, to make the cooperative approach the common thinking of the country...Therefore, the whole future of the country really depends on the success of this approach of ours to these vast numbers, hundreds of million of people."** During my work in Indonesia, I had watched President Suharto, with great admiration and respect, speaking to the farmers in remote villages, explaining to them, like a teacher using a very simple language, the advantages of cooperative action, and its great force in improving the living conditions of rural populace of Indonesia. As the executive head of the country and as prime-mover of national economic development, the President had provided strong support to the KUD and motivated the farmers to get into the fold of these rural cooperative institutions. He wished that a KUD becomes a centre of economic activity at the village level and members make the best possible use of its services - be they social or economic. The 5-Year National Economic Development Plans have made special mention of these institutions and made handsome financial allocations for their promotion. The government, at the moment, however, considers that the cooperative institutions should become self-reliant by undertaking more of business, and therefrom generate funds for themselves and for providing services to their members.

10 The 1945 Constitution of Indonesia recognises the Principle of Cooperation - which, by itself, is a unique provision in any national Constitution. Cooperatives in the country are currently regulated by two distinct laws - the Cooperative Law of 1992 and the Presidential Decree No. 4/1984 (especially for the KUDs). The Ministry of Cooperatives and Small Enterprises Development implements the laws and is responsible for the registration and guidance of cooperative institutions through its field offices.

The National Apex - The Dekopin

11 The Dekopin is the national apex of the Indonesian Cooperative Movement. There are provincial and district level cooperative councils, called the Dekopinwil and Dekopinda. This network has the responsibility of safeguarding the Principles and Values of Cooperation, enriching cooperative thought, advising the government on current cooperative thinking, consulting with the government on various problems faced by various sectors of the Movement, promotion of cooperative institutions, organising member education programmes, issuing publications and journals on current topics, and holding national cooperative congresses. Cooperative institutions are obliged to pay a certain percentage of their profits to the Dekopin network to undertake promotional activities. The Dekopin also represents the Indonesian Movement at various fora including the *International Cooperative Alliance* (ICA), a Geneva-based world confederation of cooperatives of all types. The Dekopin is also a co-founder of the Asean Cooperative Organisation-ACO.

Challenges faced by Rural Cooperatives

12 Almost 90% of the KUDs are engaged in rice procurement and distribution of farm inputs and consumer goods. Farm products in Indonesia are varied - some include high-value commodities e.g., coffee, tea, cloves, rubber, oil palm, coconut and the others deal in rice, maize, soybeans, fruits and vegetables, fisheries, dairying etc. The economic situation of the KUDs has considerably weakened since the introduction of open market system, withdrawal of farm subsidies, and restricted purchase of rice by Bulog from the local farmers. With the deregulation of farm chemicals, chemical fertiliser except Urea, seeds, the business levels of KUDs have gone down considerably.

13 The KUDs, which hitherto had enjoyed full protection from the government, and a considerable amount of monopoly in some commodities, are finding it difficult to survive. The KUDs outside Java are facing difficult times. This is due to several reasons: On Java, the KUDs have better marketing opportunities, more of business ties with private enterprises, communication and transportation facilities are better and an easy access to high consumption areas, more experienced management, and application of post-harvest methods and techniques, and a somewhat higher level of technology. KUDs outside Java have several limitations e.g., limited number of members, larger area of operation, limited range of farm products, lack of farm machines, inexperienced board members and untrained employees and lack of infrastructure e.g., transportation and communication. Due to inadequate business operations, KUDs have lost credibility in certain areas. They lack capital, equipment and market access.

14 Credit supply has become expensive. Deposits received from the members are not productive due to 'no interest' or very low interest given. Voluntary deposits in KUDs are negligible. Farm credit on concessional terms is not available to the farmers. The Bukopin, a cooperative-owned commercial bank, does not extend

farm credit on concessional rates. There are no district or provincial cooperative banks, except the BRI-Bank Rakyat Indonesia, a government-owned bank. This serves as a government channelling bank only.

15 The business linkages between the KUDs and the Puskuds on one hand, and between the Puskuds and the Inkud, on the other, are very thin and weak. The Puskuds often tend to compete with their own affiliates thereby killing their initiatives and business. Horizontal linkages among the KUDs and among the Puskuds is also absent. They do not have the advantage of any business information system.

16 Finding market for the members' product is becoming difficult. No KUDs, except for the milk cooperatives, undertake any 'value addition' or 'agro-processing' activities. The GKSI (Dairy Union) acts as a main coordinator for the supply of fresh milk to private milk processing companies. It also operates its own milk treatment plant in Bandung of a limited capacity. It has also promoted production of balanced cattle-feed in association with some of its affiliates. The current main business of a majority of KUDs, Puskuds and Inkud revolves around government-sponsored programmes e.g., procurement of cloves, distribution of chemical fertiliser and disbursement of farm credit. Procurement of cloves is a KUD monopoly. Puskuds and the Inkud are the main players in association with the BPPC -national cloves procurement agency. Many clove farmers have complained of a complicated price settlement system. Clove-cigarette manufacturers are obliged to procure their entire cloves supplies only from the BPCC.

17 Processing activities e.g., cattle-feed manufacture, rice milling, fruits and vegetable processing are not undertaken so extensively. Even in the province of Kalimantan where oranges are widely grown, or in apple-growing areas of Malang in East Java, no KUDs or the Puskud has undertaken any processing activity. The KUDs, located as they are in rice-growing areas and whose main business is rice, have made no significant efforts to create a brand-name of the product to accelerate its marketing to the advantage of their members. As a result, much of farm products become unremunerative for the farmer-members.

18 Although there is a government classification of KUD - Mandiri and Mandiri-Inti - (there is a 13-point criteria developed by the government for the KUD to fulfil to graduate to these higher categories: from a simple KUD to KUD Mandiri and from KUD Mandiri to KUD Mandiri Inti) the quality and range of business of these KUDs need improvement. Cooperatives which do not conform to the Mandiri criteria need to be merged with stronger ones. The process of amalgamation thus becomes inevitable if the members have to be serviced. The amalgamated cooperatives could perhaps become specialised branches of the main KUD and provide more efficient services to the members. Cooperatives could pool their resources to become strong and efficient.

Role of Cooperative Leaders and Policy-Makers -An Opportunity for Self-Evaluation

19 Looking at the current situation of the KUD sector, and the problems faced by them and their members, it is necessary that the policy-makers and cooperative leaders evaluate the roles of the two segments of the Indonesian Movement. There cannot be a better timing for this than the 50th Indonesian Cooperative Day (1997). The following issues might be of some interest:

- 19.01 Examine critically and to the best advantage of the members, the entire relationship between the KUDs and the Puskuds, and between the Puskud and the Inkud, from the viewpoint of economic business rather than of a formal membership by holding some serious and professional type of national conventions attended by KUD basic members and leaders.
- 19.02 With a view to activate KUD business, introduce the concepts of Joint Marketing, Joint Purchasing, Joint-Use Facilities, Joint Use of Capital and members' accounts settlement procedures. This will encourage KUD-KUD relationship at the horizontal level.
- 19.03 Encourage KUDs to enter into joint ventures with private enterprises to overcome the shortage of working capital, in some selected sectors e.g., horticulture, fruits and vegetable processing, poultry, livestock etc.
- 19.04 Members' deposits with the KUDs should be made more attractive by giving market rate interests, especially on voluntary deposits. This will strengthen the working capital base and enhance members' participation in KUD business.
- 19.05 Farm credit be made available on concessional rates to increase agricultural production and to strengthen economic position of farmer-members. For this purpose, establishing a chain of district/provincial level cooperative financing institutions become inevitable.
- 19.06 Comfortable funds be provided for undertaking member education, farm extension and KUD staff training programmes.
- 19.07 With a view to consolidate education and training programmes and strengthen related institutions, a National Council of Cooperative Education and Training (NACOCET), under the joint patronage of the government and the Dekopin, be established, and provided with adequate funding. The government is, in any way, obliged to educate and train the cooperative members and employees. The NACOCET could be assigned the tasks of research, training, education, cooperative extension and development for the entire Cooperative

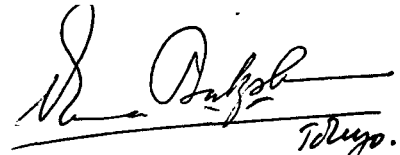
Movement. This will, hopefully, streamline the HRD efforts instead of maintaining a host of present HRD institutions and funded by the government.

- 19.08 The Inkud, in association with other business federations and the government, to establish a market information system, for the benefit of cooperative institutions in the country.
- 19.09 Special grants or 'no interest' or 'low-interest' funds be made available to the KUD and KUD members in some sectors e.g., rattan processing, rubber processing, sugarcane cultivation, horticulture, cattle-feed production, up-grading of existing rice milling units, land-tilling and transportation equipment.
- 19.10 Weak KUDs be amalgamated with others to create stronger units for providing better services to their members. The amalgamated KUD could then serve as technical service branches of the main KUD. They will eventually work together with private enterprises in agro-processing sectors.
- 19.11 The quality of advisory and other services from specialised institutions like the insurance and audit cooperative be further improved and the costs be made more reasonable for the KUD/cooperative to be able to afford.

20 These are not the total solutions to the problems which I perceive are there. I strongly feel that the vast natural resources, the high quality of farmers, the strength of education and training structure and the capacity of cooperative leaders would enable the Indonesian cooperatives to face the challenges thrown up by the forces of open market economy. The KUDs have now to face stiff competition to survive. The spirit of tolerance and Panchashila has kept the country together for so long, promoted its social and economic institutions, and given courage to the people to carry on further the missions of National Heroes.

21 It should be clearly understood that cooperative institutions still continue to provide strength to any national economy whatever economic policies and political methods are pursued by any nation. They involve a large number of people from the rural areas, they undertake a wide range of business and are a significant link in the national economy. They are all the more relevant to the developing economies in present-day context of open market economy, Indonesia being no exception. Indonesian leaders and intellectuals have the capacity, capability and wisdom to strengthen their own cooperative institutions, which are the heritage of Indonesian culture, thought and tradition of 'Gotong Royong'.

The Republic of Indonesia
Ministry of Cooperatives
& Small Enterprises



Tetsuo.
Japan International
Cooperation Agency
(JICA)

The Inception Report
on
A Study on Integrated Development Project for Rural Cooperatives
in
the Republic of Indonesia

February, 1996

Central Union of Agricultural Cooperatives (JA-ZENCHU)

System Science Consultants Inc.

Joint Venture

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Preface

This report is prepared based on the Scope of Work for the Study on Integrated Development Project for Rural Cooperatives " concluded between the Japan International Cooperation Agency (JICA) and the Ministry of Cooperatives and Small Enterprises, Indonesia on November 23, 1995.

This report states the basic policies for job implementation and study items, the job implementation plan, and a study schedule thereof.

In accordance with the report, discussions will be conducted on the methods on the implementation and contents of jobs with the Indonesian government and it is intended to carry out the study in smooth and effective manner.

Abribiatiun

A C D I	Agricultural Cooperative Development International
I C A	International Cooperative Alliance
I L O	International Labour Organization
I N K U D	Induk Koperasi Unit Desa
J I C A	Japan International Cooperation Agency
K J A - N	Koperasi Jasa Audit National
K U D	Koperasi Unit Desa
O E C F	Overseas Economic Cooperation Fund
P 4 K	Proyek Peningkatan Pendapatan Petani dan Nelayan Kecil
P U S K U D	Pusat Koperasi Unit desa
R E P E L I T A . VI	the Sixth Development Plan
U N D P	United Nations Development Plan
J A - Z E N C H U	Central Union of Agricultural Cooperatives
S S C	System Science Consultants Inc.

1. Background of the Survey

In Indonesia, economic development of the nation has been based on the development of cooperatives since its independence. The village cooperatives (KUD) have been expected to contribute to agricultural development through the procurement of rice and the stabilization of rural communities. However, since attaining self-sufficiency in rice in 1984, agricultural development and KUD activities have been delayed compared with other industrial fields due to a slowdown in the growth of rice production and the rapid expansion of the entire scale of economy.

In the 6th national development five-year plan (Repelita VI) started in fiscal 1994, alleviation of poverty in rural area and lessening the differences in living conditions between rural and urban areas are put up as the first priority subjects. In agricultural sector, importance is attached to the diversification of crops and the improvement of added values (by promotion of marketing, processing and agribusiness) in national policy.

On the other hand, villages have problems, such as delays in agricultural technology, insufficient support systems, defects in production/marketing facilities and shortage of manpower. Since it is not possible to cope with the situation by individual farm households, organized activities by cooperatives are indispensable. Also, development and strengthening of activities by agricultural cooperatives are included in the 8 components of the 3rd Japan-Indonesia umbrella cooperation (agricultural and rural development) started in fiscal 1995.

Under such circumstances, the Indonesian government introduced the function of an industrial union (agricultural cooperative) to KUD, a local cooperative organization, in July 1995, and requested Japanese technical cooperation towards the formulation of the village cooperatives (KUD) integrated development plan to activate KUD.

Upon receiving this request, the Japanese government performed a preliminary study in November 1995, and concluded the Scope of Work (S/W) on the 23rd of the same month.

8 components of the 3rd Japan-Indonesia umbrella cooperation
(Agricultural and rural development)

1. Human resources and system development of central and local government to improve planning and administrative capabilities
2. Improvement of the capability in research to support development of appropriate production technologies
3. Development of agricultural extension system in order to improve farm management and to promote diversification in agricultural production
4. Development of irrigation and drainage facilities and improvement of water resources management system
5. Development of a system for effective promotion of agricultural credits
6. Development and strengthening of the activities of farmers' organizations
7. Development of post-harvest activities including handling, processing and marketing of agricultural products to improve and add value to farm products
8. Improvement of rural infrastructure

2. Objective of the Study

2.1 Objective of the Study

The objective of this study is to clarify the roles of village cooperatives (KUD) in performing agricultural development (increasing added value and introduction of complex management) to reduce poverty in rural area and correct the difference in standard of living between rural and urban areas based on the request of the Indonesian government, to formulate future development strategies and a plan to activate KUD activities taking into account local characteristics, locational conditions and farming patterns, and transfer of technology necessary for formulating the plan to the Indonesian counterpart by means of on the job training throughout the study.

2.2 Coverage Areas of the Study

The study will be conducted in three phases and the coverage areas of each phase are as follows (see Table 1):

(1) Phase I Study

The Phase I study includes the entire nation of Indonesia. For the function to support activation of the KUD business, a supplementary study will be conducted on inter-province and national organizations, such as PUSKUD, and INKUD.

(2) Phase II Study

The Phase II study covers 7 provinces, including North Sumatra, Lampung, West Java, East Java, West Nusatenggara, South Kalimantan and South Sulawesi.

The object of survey is KUD, and placing stress on the function to support to activate the KUD needs, a supplementary study is conducted about PUSKUD and other organizations.

(3) Phase III Study

The Phase III study covers Bandung Prefecture in West Java and Sidrap Prefecture in South Sulawesi.

As model KUDs for the study, proper ones will be selected from among the candidate KUDs of kabupatens (about three (3) KUDs per kabupaten) of the Phase II study.

<Table 1> General Conditions of Objective Regions of the Survey

1. National

- Area:1, 919, 317 - Population:189, 136 (1, 000 persons as of 1993)
- No. of KUDs (1995):9, 111 - No. KUD members (1993):13, 493, 311

2. North Sumatra

- Area:70, 787 - Population:10, 813 (1, 000 persons as of 1993)
- No. of KUDs (1995):589 - No. KUD members (1993):325, 709
- Major crops:Rice, stockbreeding, horticulture, commercial products
- Important agricultural region

3. Lampung

- Area:33, 307 - Population:6, 174 (1, 000 persons as of 1993)
- No. of KUDs (1995):257 - No. KUD members (1993):244, 871
- Major crops:Commercial products, horticulture
- Important agricultural region

4. West Java

- Area:46, 229 - Population:34, 941 (1, 000 persons as of 1993)
- No. of KUDs (1995):759 - No. KUD members (1993):3, 988, 275
- Major crops:Rice, dairy farming, poultry raising
- Model region of 3rd umbrella cooperation, Target of rural credit project

5. East Java

- Area:34, 206 - Population:32, 206 (1, 000 persons as of 1993)
- No. of KUDs (1995):587 - No. KUD members (1993):2, 309, 068
- Major crops:Rice, maize, cattle breeding, fruits
- Target region of rural credit

6. West Nusatenggara

- Area:20, 177 - Population:3, 504 (1, 000 persons as of 1993)
- No. of KUDs (1995):134 - No. KUD members (1993):239, 746
- Major crops:Commercial products
- Model region of 3rd Umbrella Cooperation

7. South Kalimantan

- Area:37, 660 - Population:2, 900 (1, 000 persons as of 1993)
- No. of KUDs (1995):285 - No. KUD members (1993): 86, 112
- Major crops:Fruits, rice
- Model region of 3rd Umbrella Cooperation

8. South Sulawesi

- Area:72, 781 - Population:7, 225 (1, 000 persons as of 1993)
- No. of KUDs (1995):532 - No. KUD members (1993):1, 031, 702
- Major crops:Rice, beef cattle, fruits, commercial products
- Model region of 3rd Umbrella Cooperation, Target of rural credit project

9. Bandung Kabupaten

- Area:2, 750 - Population:3, 122 (1, 000 persons as of 1993)
- No. of KUDs (1993):45 - No. KUD members (1993):-
- Major crops:Dairy farming, vegetables
- Model region of 3rd Umbrella Cooperation

10. Sidrap Kabupaten

- Area:2, 446 - Population:238 (1, 000 persons as of 1993)
- No. of KUDs (1993):26 - No. KUD members (1993):21, 111
- Major crops:Rice, beef cattle, poultry raising
- Model region of 3rd Umbrella Cooperation

3. Policy of the Survey

3.1 Basic Policies of the Survey

(1) Recognition of the Contents of the Survey Plan

Through experience in the similar surveys performed in the past in terms of the contents of job and job instructions, the basic job execution policies are formulated recognizing the job contents of this survey, as follows ;

① In Indonesia, economic development has been based on cooperatives since its independence. However, after attaining self-sufficiency in rice in 1984, agricultural development and KUD activities have been delayed compared with other industrial fields. In the 6th National Development Five-year Plan (Repelita VI) started in fiscal 1994, reduction of poverty in villages and narrowing the gap in living conditions between villages and cities are put up as one of the first priority subjects. For agriculture, policy importance is put on crop diversification and the enhancement of added values. As included in the components of cooperation of the 3rd Japan-Indonesia Umbrella Cooperation (agricultural and village development), it is essential that these policy themes are tackled organizationally by cooperatives.

② This survey plan, with the objective to achieve agricultural and village development (increasing added value and introduction of complex farm management) in Indonesia, will (1) identify future roles of KUD and suggest the direction of KUD's activities, (2) formulate concrete business plan for KUD as an industrial cooperative, taking into account local characteristics, locational conditions and farming schemes, and (3) formulate activity plans KUD should take up to improve the incomes of inhabitants (cooperative members) based on their economic problems and needs.

The specific contents are as follows :

- Evaluation of national KUD activities to date ;
- Formulation of the future direction of national KUD activities ;
- Formulation of the basic KUD activation promotion plan for 7 states ;
- Formulation of the basic KUD activation promotion plan for model KUDs in the 2 prefectures.

(2) Grasping of the Characteristics of the Survey

Recognizing the contents mentioned above, this survey is performed based on thorough understanding of the following characteristics :

① Recognition of the Indonesian National Development Plan and the Third Umbrella Cooperation

In Indonesia, the 2nd 25-year Plan and the 6th 5-year Development Plan were started in April of 1994 and, in the latter, augmentation of competitive strength is set to be the basic strategy of the agricultural development policy, which is to be realized by establishing a sustainable and comprehensive agribusiness system through devevelopment of human and natural resources in village areas. Also, in the 3rd Umbrella Cooperation carried out under the plan, (1) improvement of agricultural productivity, efficiency and sustainability, (2) increase in agricultural production, their qulaity improvement, and diversification, and (3) improvement of added values of agricultural products, are put up as the specific goals. Because this survey is conducted under the Cooperation, it is carried out based on thorough recognition of these backgrounds and keeping compatibility with them.

② Consideration to be given to Agriculture Promotion and Improvement of Farmers' Living Standards

Indonesia has major problems of agriculture as, for example, that an import of 1.7 million tones of rice was required due to reduced production last year, as also the quality and packaging problems with fruits and vegetables. Since the purpose of the 3rd Umbrella Cooperation is the improvement of farmers' living standards, it is essential to conduct the survey from the point of view of promoting agriculture, improving farmers' living standards, developing village women and providing of employment opportunities to landless workers by activating KUD, rather than merely taking the organizing of KUD as an object of the survey. Also, in this sense, a close contact with the Ministry of Agriculture is essential to conduct the survey including the future business development in its scope, Therefore, the survey should be performed thoroughly taking these points into account.

③ Recognition on the Seven States and Two Prefectures as the Objects of the Survey

Of the 7 states included in the Phase II survey, 4 states of South Sulawesi, West Java, East Java, West Nusatenggara and South Kalimantan were selected as the mode regions for the 4 eco-systems (irrigation area, high-land area, low area and swamp area) classified in the loca project of the 3rd Umbrella Cooperation. Also, the 2 prefectures covered by the Phase III survey were selected because these eco-systems are included. Two states of North Sumatra and Lampon were selected as strategically important agricultural regions, an export base and a base for domestic supply, respectively. And, 3 states of West Java, East Java and South Sulawesi were selected because an additional survey is required with regard to the Rural Credit Project carried out by OECF in 1991. Thus, this survey should be conducted based on thorough recognition on these reasons of selection.

④ Recognition of the Historical, Social and Economic Conditions and KUD's Institution and Scheme

The historical, social and economic conditions of Indonesia and KUD's institution and scheme are much different from those of Japan. Particularly, while the KUD has a characteristic of an "area based local cooperative" to which local inhabitants, and not just the farmers, can acquire membership vested with the right to vote, as were the case with "industrial cooperatives" in Japan before the World War II, it largely differs from the present day "agricultural cooperatives of farmers" in Japan.

Furthermore, KUD being an economic business body and as its organization, management and business are closely related to each other, this survey should not be conducted confined to a partial aspect of its businesses, but should rather cover all the above said aspects. Also, as seen in Japan, enough care should be given to it that to try to introduce physical facilities of business without giving due consideration to the state of organization and management will likely lead to failure.

3.2 Basic Policies for implementaion of the Study

3.2.1 Social and Economic Study (common to Phase I, II and III studies)

Since the history and activities of KUD are closely related to the social

and economic structures of the country and regions, a thorough study will be conducted on social and economic conditions of the entire country and regions.

3.2.2 Formulation of direction on KUD activities

(1) Collection of Existing Data and Information

Since the Phase I survey covers the entire country, the survey will be conducted through data and interviews. For this purpose, the existing data and information, including those provided by JICA, and those we have collected so far, and those provided at the Ministry of Cooperatives and Small Enterprises, INKUD, KJA-N and the University of Indonesia are fully utilized, and those who are involved in these organizations will be interviewed.

(2) Collection of Statistics related to KUD

To collect the minimum necessary data for evaluating KUD activities to the present, survey lists are sent to cooperatives and offices of the Ministry of Cooperatives and Small Enterprises in 27 provinces with requests for entry and return.

3.2.3 Formulation of the basic program on the integrated development of KUD in 7 provinces

(1) Collection of Existing Data and Information

In the Phase II study too, the study will be carefully conducted through data and interviews at Djakarta.

(2) Selection of the Regions and KUDs for Detailed Field Study, and Execution of the Survey

Since the basic KUD activation promotion plan should be formulated taking into account local characteristics, locational conditions and farming patterns in each of the 7 provinces, typical regions and KUDs that contain these factors will be selected as objects of the study, taking into account time and geological restrictions. In the course of selection, the results of the Phase I survey and opinions of the Indonesian counterpart are referred to, and the 3rd Japan-Indonesia umbrella cooperation project and crop statistics of provinces and other data are used. Thus, based on the above result (1) representative products and products by future development of each province and (2) the KUD fostering policies of the

Ministry of Cooperatives and Small Enterprises, 5 to 6 KUDs are selected in each province, and the field survey (including the natural, social and economic conditions within the KUD territory) is performed in 1 or 2 days per KUD.

(3) A Field Survey to be commissioned to local entity

The survey will be conducted for items that are hard to collect data and information through the existing data and information and the detailed field survey, such as social and economic conditions of villages, technological level of agricultural production, processing level and marketing pattern of agricultural products and inhabitants' (cooperative members') needs. Particularly for the survey about farm households (cooperative members), 2 or 3 typical KUDs, for example, are selected from the objective KUDs of the detailed field survey, and an interviews will be conducted by Indonesians using their languages to cooperative members (owner farmers, owned-tenant farmers, tenant farmers and landless farmers) and non-members (about 1% of the number of cooperative members per KUD, by national average), about 20 households in all per KUD. When conducting the field survey, suitable technical guidance and supervision are given to the commissioned agency, taking account of the intention of the Indonesian counterpart.

In addition, for West Java and South Sulawesi of the 7 provinces, a thorough survey will be conducted on social and economic conditions of villages, technological level of agricultural production, processing level and marketing of agricultural products and inhabitants' (cooperative members') needs in Bandung Prefecture and Sidrap kabupaten. These are the objects of the Phase III study.

3.2.4 Formulation of detailed plan for model KUD activation promotion

(1) Implementation of the Detailed Field Survey

In the detailed field survey of model KUDs, economic problems and needs of inhabitants (cooperative members) are thoroughly surveyed. At the same time, the feasibility of KUD is thoroughly examined from the organizational, managerial and business aspects, using measures as means to improve income of cooperative members, such as promotion of agricultural and animal production, promotion of product diversification and improvement of added values of agricultural and animal products.

Particularly for dairy farming and livestock production which

tend to pollute due to excreta, effects to the environment are thoroughly examined. Additionally, supposing 3 KUDs are selected in each kabupaten as objects of the survey, a one-week field survey will be conducted per KUD.

(2) Field Survey to be commissioned

The commissioned field survey of Phase II will be conducted on member farm households about items that are hard to collect data and information on but necessary to examine feasibility for the model KUDs mentioned above, such as whether member households or their groups are willing to agree to plans, such as the plan to improve agricultural and livestock products processing systems or the plan to improve agricultural and stockbreeding products marketing systems, and whether they are willing to use KUD facilities; and when financing is made to these member households as farming and living funds, whether they are willing and/or capable of repaying the loan.

3.2.5 Compatibility of "Direction of KUD Activities", "Basic plan for integrated development of KUD " and " Detail plan for integrated development of Model KUD "

Since the "direction of KUD activities", "basic KUD activation promotion plan" and "detailed model KUDs activation promotion plan" formulated in Phase I, II and III must be compatible with each other, thorough attention will be given in conducting the survey to avoid causing any inconsistency among these.

3.2.6 Cooperation with Indonesian Government Agencies

The counterpart agency of this survey is the Ministry of Cooperatives and Small Enterprises, but the cooperation of the Ministry of Agriculture and other related agencies is essential to smoothly and efficiently perform the survey. Thus the survey will be conducted through close cooperation with these agencies (through the steering committees to be established in conjunction with this survey).

3.2.7 Definition of Technical Terms related to Cooperatives used in the Study

For example, "capital" and "savings" are clearly distinguished in most countries including Japan, and it is assumed that a similar

distinction exists in Indonesia, too. However, in the materials of the Ministry of Cooperatives and Small Enterprises, the term "savings" is used to mean both in translation. Therefore, definition of technical terms related to cooperatives are expressed to ensure understanding between the members study team and the Indonesian counterparts before starting the study.

4. Contents and Method of the Study

4.1 Contents of the Study (Summary)

In this plan, to perform agricultural and village development (increasing added value and introduction of complex management) in Indonesia, (1) the future roles of KUD are clarified and the direction of KUD's activities are formulated, (2) the specific business plan for KUD as an industrial cooperative are formulated taking into account local characteristics, locational conditions and farming schemes, and (3) business plans are formulated along which KUD should work to improve the income of inhabitants (cooperative members) based on their economic problems and needs.

The specific contents are as follows:

(1) Formulation of the Direction of KUD's Activities (Phase I)

For the entire Indonesia, necessary data and information are collected, processed and analyzed, KUD's activities to date are evaluated, the future roles of KUD are clarified, and the direction of KUD activities are formulated. The specific contents are;

- ① Collection and processing of available data and information, and reconfirmation of the necessity and significance of the study
- ② Review of the contents of related surveys, projects, plans and projects that are currently scheduled or and under implementation
- ③ Analysis and evaluation of KUD activities
- ④ Formulation of the future direction of KUD activities

(2) Formulation of the Basic Plan for Integrated Development of KUD for the Seven provinces (for each province)

Field surveys will be conducted for each of the 7 provinces, and the specific business plan for KUD as an industrial cooperative is formulated taking into account local characteristics, locational conditions and farming patterns:

- ① Collection and processing of related information and data
- ② Detailed field survey and commissioned field survey in each area
- ③ Summary of hampering factors and the possibilities of KUD activation in the 7 provinces
- ④ Formulation of the basic KUD integrated development plan for the 7 provinces (KUD organization and operation plan, management and

administration plan, and business development measures)

(3) Formulation of Model KUDs Integrated Development Detail Plan
(Phase III)

A detailed KUD activation promotion plan is formulated for KUDs in Bandung Kabupaten of West Java and Sidrap Kabupaten of South Sulawesi as model cases:

- Collection and processing of related information and data
- Detailed field survey and commissioned field survey in each area
- Summary of hampering factors and possibilities of model KUDs
- Formulation of basic plan for integrated development of KUD for model KUDs in the 7 provinces (KUD organization and operation plan, management and administration plan, and business development measures)

4.2 Phase I Study (First Field Survey)

(1) Explanation of the inception report and consultation (Item 4)

(Note: The item No. in () refers to the item No. in "Fig. 1.1 Survey Job Flowchart".) in "Fi

Before starting the field survey, the above inception report, previously prepared in Japan, is submitted to the Indonesian government agency, the contents are explained, and through consultation, agreement is reached about the contents of the survey and implementation methods.

Additionally, if there are any comments from the government agency, it will be reflected upon in the survey.

(2) Preparation of Technology Transfer Plans for each Field (Item 5)

Through consultation with the Indonesian agency about technology transfer to Indonesian counterparts and the guidance policy, technology transfer plans are prepared for each field.

(3) Collection and arrangement of existing related information and data, and reconfirmation of the necessity and significance of the survey (Item 6)

(a) Grasp the positioning of the agriculture in the national development plan and national economy

(b) Collect general information related to the society, economy and agriculture to grasp the economic outline of non-urban areas, special characteristics of regional economy (at the province level) and regional

inbalance in economic development conditions, and re-affirm the necessity and significance of this survey.

Collection of data and information is performed about the items and contents shown in Table 2.

- National development project
- Natural conditions
- Social/economic conditions
- Agricultural conditions
- Agricultural economy/rural financing
- Review of related surveys/business
- KUD activities
- Laws and regulations related to cooperative
- Government measures related to KUD

Additionally, since the objective survey area is extensive and the time is limited, the survey will be conducted mainly through data available at Djakarta and interviews from government agencies and the University of Indonesia. Statistical data are arranged and analyzed for each province.

(4) Review of related surveys and projects (including the 3rd Umbrella Cooperation) and plans and projects currently in plan or under implementation (Item 7)

Related surveys and projects (including the 3rd Umbrella Cooperation) and the contents of plans and projects currently scheduled or in execution are reviewed, the results are analyzed, and items to be confirmed by the survey are clarified. Items that are presently assumed to be the objects of review are the following:

- The 6th national development plan, in particular the cooperative development and agricultural development policies
- The 3rd Umbrella Cooperation
- Village Credit Development Project (OECE)
- Project to improve the income of petty farm and fishery households (P4k: UNDP)
- Project to support independence of KUD and enhance self-reliant KUD (UNDP/ILO)
- Post-harvest Training Center

(5) Analysis of the Past KUD Activities (Item 8)

Based on the results of (3) and (4) and the technology transfer plan for each field, data and information related to the organization, management and business activities of KUD so far are collected, arranged and analyzed, and at the same time changes in laws and regulations related to KUD are arranged and analyzed. (Table 2)

(1) Collection, arrangement and analysis of data and information related to past KUD Activities

Data and information are collected for the periods of 1980, 1985, 1990, 1991, 1992 and 1993. If any statistical data are not available, they are collected by interviews from the "National Audit Service Cooperative" or KJA-N, which performs auditing for 40 to 60% of self-reliant KUDs nationwide.

(2) Review of related Laws and Regulations

One law related to KUD is the "Cooperative Act" enacted in 1992, and there are 8 regulations related to the "foundation and registration of a cooperative", "liquidation of a bankrupted cooperative" and "foundation of a credit cooperative and starting a KUD credit business". Also, as regulations related to the Ministry of Cooperatives and Small Enterprises, there are many regulations, including "regulations related to the foundation of a cooperative" and "regulations related to bankruptcy". Further, as regulations related to the various business activities performed by KUD, regulations of other government agencies are appropriated.

Thus, this data and information is collected and reviewed, and the results are reflected upon in the formulation of the general reactivation strategy of KUD activities.

Also, since the revision of the Cooperative Act of 1987 was a big turning point for the Indonesian agricultural cooperative movement, the contents of the Cooperative Act are compared and analyzed between the years of 1967, 1978 and 1992.

(3) Government Measures related to KUD

With regard to the fostering, guidance and supervising measures for KUD, mainly the following items are examined and the results are arranged.

<Table 2> Phase I Survey Items and Contents

Survey Item Contents

- National development project

1st 25-year long-term project (1969-1993), 2nd 25-year long-term project (1994-2018), 1st 5-year project (1969/70-73/74)-6th 5-year project (1994/95-98/99)

- Natural conditions

Area, No. of administrative units, meteorological/weather conditions

- Social/economic conditions

Population by city/village, No. of households by city/village, population/production amount by industries, village customs and social life, farmer organizations (incl. women's organizations)

- Agricultural conditions

Cultivation/crop area by management scale, No. of farm households and agricultural population/agricultural workers by management scale, wage of village employment and wage of agricultural employment, cultivation area by products, No. of cattle and poultry, production quantity, extension of agricultural machinery, cultivation scheme, form of land holding, water use and labor customs, technology level of cultivation/raising, improvement condition of agricultural infrastructure, processing of agricultural/livestock products, marketing of agricultural/livestock products.

- Agricultural economy/rural financing

Management, cropping cultivation area, major styles of farming, family composition and No. of family members engaged in farming, farm income/expenditure and farm management balance, loan and repayment conditions, rural finance conditions (public and private loans)

- Review of related surveys/business

6th national development project (cooperative development and agricultural development sector), 3rd umbrella cooperation, rural credit development project (OECF), project to improve the income of petty farm and fishery households (P4k: UNDP), project to support independence of village cooperatives and enhance independent village cooperatives (UNDP/ILO), post-harvest training center

- KUD activities

1. Organization/management

No. of primary cooperatives and cooperative members (organization rate),

business area, cooperative membership, decision making agency and job execution system, standard job hierarchical scheme, No. of executives, management and fund procurement, existence or not of women's organizations

2. Business conditions

Economy, business utilizing KUD facilities: major supply items, supply amount, major marketing items, marketing amount, No. of supply stores, holding and use of related facilities

Credit business: saving interest, balance of deposit and use; loan condition, balance of loan and fund procurement, collection of loan.

Guidance and educational activities: farming guidance conditions, securing /fostering methods of guidance/education staff, coordination with agricultural improvement and extension activities

Others: outline of electric charge collection business, outline of telephone exchange business, others

3. PUSKUD, INKUD activities: outline of business activities to support KUD

- Laws and regulations related to cooperative

Cooperative Act (1992), "foundation and registration of a cooperative", "liquidation of a bankrupted cooperative" and "foundation of a credit cooperative and starting of KUD credit business", "foundation of a cooperative", "regulations related to bankruptcy", outline of 1967 and 1978 revisions in Cooperative Act

- Government measures related to KUD

Operation of Cooperative Act, regulations and ministerial regulations; Cooperative/KUD priority/aid measures (incl. 1994 cooperative appeal); Cooperative/KUD guidance/inspection systems (registration, inspection, education and training); government programed agricultural loan system; measures for promoting agricultural production diversification and agricultural extension scheme, measures for improving agricultural product processing and marketing

(6) Evaluation of past KUD activities (Item 9)

Based on the results of analysis performed in (5), past KUD activities are generally evaluated from the viewpoints of organization, management and business (which is classified into marketing, supply, credit business and other business activities), particularly from the view point of before and after the attainment of self-sufficiency in rice in 1984.

(7) Formulation of the Direction of KUD Activities (Item 10)

Based on the significance of this survey reconfirmed in (3) and the results of evaluation in (6), the future roles of KUD are clarified, and the direction of KUD activities is tentatively set. In this case, the views of the Indonesian side should be thoroughly confirmed and paid as much regard as possible, keeping in mind that the goal of KUD activities is to improve living standards through increases in inhabitants' income. For this purpose, direction is set with regard to the following items through consultation with the Indonesian counterpart. Additionally, sub-items of each item are those which can be considered in the present stage.

(i) Direction of organization management

- Decision making and job execution system
- Inspection system
- Job hierarchical system
- Educational and training measures for executives and staff members
- Measures for enhancing organic functions (including women's organizations)

(ii) Direction of management and administration

- Investment by cooperative members and measures for increasing capital
- Measures for procuring external funds

(iii) Direction of business development

(to cope with the diversification of products and increase in added values)

- Marketing and supply (organization of departments, business methods, facility operation, others)
- Credit business (encouraging saving, loan and repayment, introduction of external funds, others)
- Farming guidance (how to obtain guidance information, coordination with agricultural improvement and extension projects, others)
- Others

(8) Consultation and Setting of Phase II Field Survey Policies (Item 11)

To effectively and efficiently perform the Phase II field survey, the Phase II field survey policies are set tentatively through consultation with the Indonesian side. The contents are the positioning of the detailed field survey, the number of objective KUDs, selection criteria and survey methods for the 7 provinces.

(9) Preparation of Progress Report (I), Explanation and Consultation (Item 12)

As a summary of the Phase I field survey, the progress report (I) is prepared and submitted to the Indonesian government agency, and the contents are explained. The progress report is prepared thorough consultation between the survey team members and the counterpart members to make the contents agreeable to the Indonesian government. The report covers the following items:

- (1) Agreement regarding the contents and methods of the survey
- (2) Technology transfer plan for each field
- (3) Results of data and information collection, arrangement and analysis
- (4) Setting tentatively the direction of KUD activities
- (5) Setting tentatively the Phase II field survey policies

4.3 Phase II Study (Phase II Field Survey)

(1) Consultation about the Direction of KUD Activities and Decisions (Item 13)

The direction of KUD activities are explained to the Indonesian side, and the contents are fixed through consultation.

(2) Consultation about the Phase II Field Survey Policies and Decisions (Item 14)

The policies of the Phase II field survey are explained to the Indonesian side, and the contents are fixed through consultation.

(3) Collection and Arrangement of related Data and Information (Item 15)

General information related to the society, economy and agriculture is collected in the 7 provinces, and the positioning of agriculture in the development projects and economy of these provinces, economic problems of non-urban inhabitants and inhabitants' needs are clarified.

The items and contents of collected data and information are

shown in Table 3.

- Provincial development project
- Natural conditions
- Village social/economic condition
- Agricultural products
- Processing and marketing of agricultural and livestock products
- Business and management of KUD
- Organization, management and activities of PUSKUD
- Operation of Cooperative Act, including ministerial regulation, notice and guidance policy
- Commissioned field survey

Additionally, since the objective survey area is extensive and time is limited, the survey is performed mainly through written records available at Djakarta, interviews from government agencies (including province offices) and the University of Indonesia, and the commissioned field survey. Statistical data is processed and analyzed for each province as much as possible.

(4) Selection of Objective KUDs of Detailed Field Survey (Item 16)

Based on the Phase II field survey policies set in (2) and the results of data and information collection and arrangement in (3), objective KUDs for the detailed field survey are selected.

(5) Detailed Field Survey (Item 17)

From the selected KUDs in (4), information related to the organization, management and business of KUD that cannot be thoroughly clarified by the collected data of written records (Table 3) are collected and analyzed, and the results are used in setting tentative basic plan for integrated development of KUD.

Additionally, the detailed field survey is performed taking about 2 weeks per province. First a province (West Java or South Sulawesi) is surveyed by all survey team members to make the contents and methods understood and keep them fully informed of the common recognition. Thereafter, forming 3 teams of 2 members each, each team performs the detailed survey of 2 provinces.

<Table 3> Phase II Study Items and Contents

Survey Item Contents

- Provincial development project

Agricultural development projects and cooperative development projects under 6th 5-year project (1994/95-98/99)

- Natural conditions

Area, No. of administrative units, meteorological/weather conditions, soil condition, land use, agri-ecological system

- Village social/economic conditions

Population by farming and non-farming inhabitants, No. of farming and non-farming households, population/production amount by industries, income by farming/non-farming and by industries

farmer organizations (incl. women's organizations) village customs and ceremonies, social life, rights of various economic entities

farm household economy, agricultural financing, positioning of agriculture as industry in villages

inhabitants' needs

- Agricultural production

Cultivation/crop area by management scale, No. of farm households and agricultural population/agricultural workers by management scale, land rent form and wage of village employment and wage of agricultural employment, cultivation area by products, No. of cattle and poultry, production quantity, distribution of agricultural equipment, extension of agricultural machinery

cultivation scheme, form of land holding, water use and labor customs, technology level of cultivation/raising

regional agriculture promotion policies and measures related to agriculture by local governments (incl. extension scheme)

- Processing and distribution of agricultural and stockbreeding products

Demand for major agricultural and stockbreeding products (item, processed form, consuming area); processing level and technology of agricultural and

livestock products by major items; processing business entity, production quantity and facilities of agricultural and livestock products by major items; destination, distribution form and facilities of

agricultural and livestock products by major items; business customs (pricing, payment), others

- KUD business and management

1. Organization/management

No. of primary cooperatives and cooperative members (organization rate), business area, cooperative membership and occupation of cooperative members, decision making agency and job execution system, standard job hierarchical scheme, No. of executives and educational training system, management and fund procurement, enlightenment and extension measures to non-members

2. Business conditions

Supply and marketing: supply system and major supply items, supply amount, suppliers

marketing system and major marketing items, marketing amount, customers economy, fund procurement for business utilizing KUD facilities, No. of supply stores, collection and storage facilities, holding and use of processing facilities, competition with dealers

Credit business: saving interest, deposit amount and use; loan condition, balance of loan and fund procurement, collection of loan, competition with other financing agencies

Guidance and educational activities: farming and living guidance conditions and major guidance items, securing/fostering methods of guidance/education staff

methods to obtain guidance and technical information, procurement of business expenses

coordination with agricultural extension activities

Others: outline of electric charge collection business, outline of telephone exchange business, others

- PUSKUD organization, management and activities

(To examine cooperation with KUD)

1. Organization and management

Membership and No. of members, decision making agency and job execution system, standard job hierarchical scheme, No. of executives and educational training system, management and fund procurement

2. Business conditions

supply system and major supply items, supply amount, suppliers and customers (KUD, non-KUD)

marketing system and major marketing items, marketing amount, customers (KUD, non-KUD)

economy, fund procurement for business utilizing KUD facilities, No. of supply stores, collection and storage facilities, holding and use of

processing facilities, competition with dealers

- Related institutions and systems

Operation of Cooperative Act, including ministerial regulations, notices and guidance policies;

systems of province and prefectural offices of the Ministry of Cooperatives and Small Enterprises (incl. province cooperative training center);

KUD priority/aid measures, Cooperative/KUD guidance/inspection systems including registration, inspection, education and training);

agricultural technology and extension scheme of the Ministry of

Agriculture, agricultural public financing system, measures for promoting agricultural production diversification, measures for improving agricultural product processing and distribution, measures for price support

- Commissioned field survey

1. Village society and economy

Village customs and ceremonies, social life, rights of various economic entities

2. Agricultural production

Distribution of agricultural materials (makers and dealers of agricultural chemicals, vinyl and fodder), distribution of agricultural machinery (makers and dealers)

3. Agricultural product processing and distribution

Demand for major agricultural and stockbreeding products (item, processed form, consuming area); processing level and technology of agricultural and livestock products by major items; processing business entity, production quantity and facilities of agricultural and stockbreeding products by major items; destination, distribution form and facilities of agricultural and livestock products by major items; business customs (pricing, payment) others

4. Farm household conditions and needs

(actual situation of farmers)

Management and cultivation area, major styles of farming, cultivation area by products, No. of cattle and poultry, production quantity

holding of agricultural machinery and facilities

family composition and No. of family members engaged in farming, farm income/expenditure and farm management balance, part-time job and migration/emigration

methods to obtain agricultural technology (use of KUD), methods to procure production and living materials (use of KUD), fund source, loan amount and repayment conditions (use of KUD), willingness to repaying the borrowed money

commercialization rate and marketing methods of agricultural products (use of KUD)

(Willingness to farm management)

future major product items, willingness to introduce agricultural machinery and facilities

demand for management fund

desired agricultural technology fields

(Expectation to KUD)

- Cooperative members

Investment conditions, roles at KUD, attendance in meetings

evaluation and requests to organization and operation (incl. participation by women), evaluation and requests to executives

evaluation and requests to business (supply, marketing, processing, joint delivery, facilities, fund loan condition, contents of farming and living guidance, others)

- Non-members

Reason for being non-members, obstacles to join

(6) Commissioned Field Survey (Item 18)

Of the survey items in (4) and (5), the "farm village society and economy", part of the "agricultural production", and the entire farm household survey related to "processing and distribution of agricultural and livestock products" and "situation and needs of farmers (cooperative members and non-member)" will be conducted in the form of a commissioned field survey. The contents are shown in Table 3, and the volume of work and the reason of commissioning are as follows:

1) Contents (Table 3)

2) Work volume

(i) Farm household survey

20 farm households will be visited by 2 persons per KUD. Therefore, total number of households to be visited will be 420

(7 provinces x 3KUD x 20 households)

(ii) Surveys other than the farm household survey

3 persons x 2 weeks x 7 provinces

+ 3 persons x 1 week/kabupaten x 2 kabupatens

(Contents covered by 3 members are rice, stockbreeding, and vegetables /fruits.)

3) Reason for conducting commissioned field survey to local agency

When formulating the basic KUD reactivation promotion plan, it is essential to understand the situation in village areas, including the degree of poverty, funding needs of cooperative members (farm households) and the types and contents of service required for KUD, so this survey should include a farm household survey (to cooperative members). Since this farm household survey should be performed through interviews by Indonesian members using their language because of the problem of the literacy rate, it is performed in the form of a re-entrusted field survey.

In addition, survey items to examine the activation of KUD's supply, marketing and processing businesses seem to be beyond the capacity of the survey team members due to time limitations. So, above mentioned items (items other than those of the farm household survey) are covered by the commissioned field survey.

(7) Clarifying of Hampering Factors and Possibilities of KUD Activation in the Seven provinces (each province) (Item 19)

Before setting the basic KUD activation promotion plan for each of the 7 provinces, hampering factors and possibilities to orient KUD as an industrial cooperative are clarified and arranged for its organization, management and business and for each field, including the village society and economy, agricultural production and KUD's organization, management and business (marketing, supplying and credit).

(8) Fixing the Basic Matters of the Interim Report (Item 20)

After step (7), basic matters of the interim report are fixed through consultation with the Indonesian side, and the items are as follows:

- (1) Policy for summarizing the analysis results of collected data and information
- (2) Policy for formulating the basic KUD activation promotion plan for each of the 7 provinces
- (3) Basic policy for selecting model KUDs for the Phase III study
- (4) Policy and methods for carrying out the Phase III study

(9) Setting the Basic Plan for Integrated Development of KUD for the Seven provinces (for each province)

Based on the policies in (8)-(2) above, which are set through consultation with the Indonesian side during the field survey period, the following items are examined and a basic plan for KUD as an industrial cooperative is set taking into account the local characteristics, locational conditions and farming patterns of the 7 provinces.

Additionally, sub-items of each item are those which can be considered in the present stage.

- (1) KUD organization and operation plan
 - Decision making and execution system
 - Inspection system
 - Job hierarchical system
 - Branch allocation and operation system
 - Educational and training measures for executives and staff members
 - Measures for enhancing organic functions (including women's organizations)
 - Enlightenment (enlightenment and extension to non-members, others)
- (2) KUD management and administration plan

- Investment by cooperative members and measures for increasing capital
- Measures for augmenting equity capital
- Measures for procuring external funds
- Internal control

(3) KUD business development measures

(measures for improving the living standards of cooperative members, including the processing and marketing of agricultural and livestock products promoted in each of the 7 provinces, supply of necessary equipment and materials, and financing of farming funds to cooperative members)

- Supply (establishment of the supply system, including joint supply, improvement of supply facilities, others)
- marketing (organization of production departments ,including the introduction of new products), establishment of marketing methods, including shipment control and pooling calculation, supply of price information to cooperative members, securing of buyers, others)
- Agricultural and livestock product processing business (improvement of rice milling technology, improvement and introduction of agricultural and livestock product storage and processing technology, increasing the operational efficiency of related facilities, others)
- Credit business (promotion of saving, fostering of financial concept, establishment of loan and repayment methods, introduction of external funds, including the examination of introducing facility funds from cooperative members, establishment of guarantee and insurance systems, others)
- Farming and management guidance, including guidance for living improvement (how to obtain guidance information, coordination with agricultural extension projects, fund and tax consultation, others)
- Others

Additionally formulation is performed thoroughly based on the following plans:

- KUD activation plan to extend and diversify agricultural production
- KUD activation plan for the processing of agricultural products
- KUD activation plan for the marketing of agricultural products and processed agricultural products
- Manpower enhancement plan for the reorganization of KUD activities
- KUD activation plan to establish a rural credit system

- (10) Selection of Model KUD Candidates for the Phase III Study
(about 3 KUDs per province) (Item 22)

Based on the formulation policies set in (9)-(3) above, model KUD candidates for the Phase III study are selected (about 3 KUDs per province). In this case, the views of the Indonesian side should be thoroughly paid as much regard as possible. Also, the basic policies and methods of the Phase III survey are set through consultation.

- (11) Preparation of Progress Report (II), Explanation and Consultation
(Item 23)

As a summary of the Phase II field survey, the progress report (II) is prepared and submitted to the Indonesian government agency, and the contents are explained. The report covers the following items:

- (1) Set results of the general KUD activation strategy (direction of KUD activities)
- (2) Results of data and information collection, arrangement and analysis
- (3) Results of the detailed field survey
- (4) Results of the commissioned field survey
- (5) Set tentatively results of the basic KUD activation promotion plan for the 7 provinces (each province)
- (6) Selected model KUD candidates for the Phase III study
(about 3 KUDs per province)
- (7) Basic policies and methods of the Phase III study
- (8) Basic matters of the interim report

4.4 Phase II Survey (First Homework)

Based on the results of the field survey, the following jobs are performed:

- (1) Final clarifying of hampering factors and possibilities of KUD activation in the 7 provinces (each province) (Item 24)

Based on the hampering factors and possibilities clarified by the field survey, collected data and information by the field survey are analyzed, and thereby hampering factors and possibilities to orient KUD as an industrial cooperative are analyzed and the results are summarized to facilitate the improvement of income of KUD members.

- (2) Formulation of basic plan for integrated development of KUD for the 7 provinces (each province) (Item 25)

The data and information obtained by the field survey is analyzed in more detail and, based on the basic policies set by the field survey, the basic plan for integrated development of KUD as an industrial cooperative within the scheme of the current institutions is formulated, taking into account the local characteristics, locational conditions and farming patterns of Indonesia.

(3) Selection of model KUDs for the Phase III study (Item 26)

Model KUDs for the Phase III study are selected.

(4) Preparation of the interim report (Item 27)

As a summary of the Phase I & Phase II studies, an interim report is prepared. The major items are the following:

- (1) Analysis of collected data and information
- (2) Direction of KUD activities
- (3) Basic plan for integrated development of KUD for the 7 provinces (each province)
- (4) Model KUDs for the Phase III study and implementation policies and methods of the Phase III study

4.5 Phase III Study (Phase III Field Survey)

(1) Explanation of the interim report and consultation (Item 28)

An interim report is submitted to the Indonesian counterpart, the contents are explained and discussed. The major items are the following:

- Explanation of the basic plan for integrated development of KUD for each of the 7 provinces, and consultation
- Consultation about model KUDs for the Phase III study and implementation policies and methods of the Phase III study

(2) Collection of related data and information (Item 29)

Necessary related data and information is collected in the 2 provinces (to supplement the Phase II study).

(3) Detailed field survey (Item 30)

The detailed field survey is performed on the selected model KUD's organization, management and business. (Table 4) Particularly since contents of the KUD integrated development plan that can be assumed now

include the following, stress is placed on these items and a more detailed survey will be conducted, including the collection of necessary information to evaluate plans to improve facilities, equipment and materials, and their business:

- (1) Improvement of agricultural and livestock product processing systems
- (2) Improvement of agricultural and livestock products marketing systems
- (3) Stabilization of cooperative financing business
- (4) Fostering of KUD management staff

(4) Commissioned field survey (Item 31)

(1) Contents and reason for re-consignment

Another commissioned field survey (to member farm households) should be conducted on items that are hard to collect data and information through the commissioned field survey of Phase II, also, it is necessary to identify the business possibilities of the model KUDs mentioned above.

(1) Contents (Table 4)

(2) Work volume

A survey like this to examine the intentions of cooperative members should originally be performed by the model KUDs that will act as business entities. As a method of such survey, perhaps the method of hamlet level discussion meeting organized by Japanese agricultural cooperative can be adopted.

(5) Identifying and arrangement of hampering factors and possibilities of the development of model KUDs (Item 32)

Before setting the model KUD integrated development detail plan, hampering factors and possibilities of the development of KUD, in particular hampering factors and possibilities to orient KUD as an industrial cooperative, are identified and arranged.

In this case, points to be noted about each field are the same as those discussed with regard to the clarifying of hampering factors and possibilities in Phase II (Item 19).

(6) Setting of model KUDs integrated development plan (Item 33)

An integrated development plan along which KUD should work for the increase in inhabitants' income is set by analyzing the data and

<Table 4> Phase III Study Items and Contents

Survey Item Contents

- Kabupaten development project

Agricultural development projects and cooperative development projects under 6th 5-year project (1994/95-98/99) (studied in Phase II)

- Natural conditions

Area, No. of administrative units, meteorological/weather conditions, soil condition, land use, agri-ecological system

- Village social/economic conditions

Population by farming and non-farming inhabitants, No. of farming and non-farming households, population/production amount by industries (nearly identical with the contents of Table 3) (studied in Phase II)

- Agricultural production

Cultivation/crop area by management scale, No. of farm households and agricultural workers by management scale (nearly identical with the contents of Table 3) (studied in Phase II)

- Processing and distribution of agricultural and stockbreeding products

Demand for major agricultural and livestock products (item, processed form consuming area), processing level of agricultural and livestock products by major items (nearly identical with the contents of Table 3) (studied in Phase II)

- Model KUD business and management

The following items necessary to perform KUD activity plans that can be assumed now are studied; such as (1) Improvement of agricultural and livestock product processing systems, (2) Improvement of agricultural and livestock product marketing systems, (3) Stabilization of group financing business and (4) Fostering of KUD management staff (incl. collection of information necessary for facility and equipment improvement plans and business evaluation)

1. Organization/management

No. of primary cooperatives and cooperative members (organization rate), business area, cooperative membership and occupation of cooperative members, decision making organization and job execution system, standard job hierarchical scheme, No. of executives and educational training system management and fund procuration, enlightenment and extension measures to non-members

2. Business conditions

Supply and marketing: supply system and major supply items, supply amount, suppliers

marketing system and major marketing items, marketing amount, customers economy, fund procurement for business utilizing KUD facilities, No. of supply stores, collection and storage facilities, holding and use of processing facilities, competition with dealers

Credit business: saving interest, balance of deposit and use; loan condition, balance of loan and fund procurement, recovery of loan, competition and cooperation with other financing agencies

Guidance and educational activities: farm management and better living guidance conditions and major guidance items, securing/fostering methods of guidance/education staff

methods to obtain guidance and technical information, procurement of business expenses

coordination with agricultural improvement and extension activities

Others: outline of electric charge collection business, outline of telephone exchange business, others

Cooperation with PUSKUD and others: cooperation measures for PUSKUD and other organizations

- Re-entrusted field survey

Model KUD member farm household survey

- When formulating plans to improve agricultural and livestock product processing systems and agricultural and livestock product marketing systems; whether or not cooperative members or their groups agree with these plans, aim to increase agricultural production and ship their products through KUD

- Whether or not cooperative members or their groups have intention to use new facilities to be established in KUD

- When offering loans for farm management and living funds to cooperative members; whether or not they are willing or capable of repaying the borrowed money

information collected so far and based on their economic problems and needs. When setting, consideration is given to make a plan that KUD can carry out when such means as promotion of agricultural and stockbreeding production, promotion of product diversification and increase in added values of agricultural products by farmers are applied as approaches to increase inhabitants' income.

Also, when setting, formulation policies are set taking the previously mentioned hampering factors into account and by thoroughly confirming the views of the Indonesian side. And a basic plan is prepared based on such policies.

(1) Contents of the plan

The contents of the plan which are assumed in the present stage include the following:

- Improvement of agricultural and livestock product processing systems
- Improvement of agricultural and livestock product marketing systems
- Stabilization of cooperative financing business
- Fostering of KUD management staff

Additionally, product items and cattle which are assumed for the 2 kabupatens in the present stage are as follows:

Bandung kabupaten of West Java

Packing and marketing of vegetables (for supermarkets)

Collection, processing and marketing of milk

Sidrap kabupaten of South Sulawesi

Collection and marketing of rice (with brand)

Fattening and marketing of beef cattle

(2) Items of the plan

For the contents of the plan mentioned above, the following basic plans will be set taking account that these plans should be viable to be implemented by selected model KUDs.

- Business/activity operation organization/system improvement plan
- Business/activity management/administration plan
- Business/activity development plan
- Facility construction/equipment introduction plan
- Facility/equipment maintenance plan

(7) Preparation of the Progress Report (III), Explanation and Consultation
(Item 34)

As a summary of the Phase III field survey, the progress report (III) is prepared and submitted to the Indonesian government agency, and the contents are explained. The report covers the following items:

- (1) Results of data and information collection, arrangement and analysis
- (2) Results of the detailed field survey
- (3) Results of the commissioned field survey
- (4) Setting of the model KUDs integrated development detail plan
- (5) Basic matters of the final draft report

4.6 Phase III (Second Homework)

The collected data and information by the field survey are analyzed, and a brush-up plan of the model KUD integrated development detail plan set through the Phase III field survey is formulated.

In addition, the results of this survey are summarized into the final draft report.

(1) Formulation of Model KUDs Integrated Development Detail Plan (Item 35)

The model KUD activation promotion detail plan set through the Phase III field survey is brushed up for each field, an efficient and realistic fund procurement plan is examined, and the business evaluation of the plan, namely the possibilities and appropriateness of business, are examined for the following items. After assessment, a practical model KUD integrated development plan is formulated. In this case, particular attention should be paid to compatibility with the basic plans of each province (Item 25).

(Business evaluation items)

(1) Economy of business

Economy of business is evaluated by the internal profit rate. Also, by performing a sensitivity analysis taking into account price fluctuations in agricultural products and the increase in construction and related costs, economy and appropriateness of business is examined.

(2) Ripple effect

Effects of business to local economies are analyzed from the social and economic aspects.

(3) Financial analysis of KUD

By assuming fund raising measures under various conditions, the possibility of repayment by KUD is examined.

(4) Financial analysis of farm households

By assuming fund raising measures under various conditions, the possibility of repayment by farm households is examined. Further, a trial balance sheet is made for model households.

(5) General evaluation

Based on the results of the above analyses and evaluations, general evaluation of business is made, taking into account effects to the society, economy and natural environment (especially excreta treatment in livestock production and dairy promotion).

(2) Preparation of the Final Draft Report (Item 36)

As a summary of the Phase II and III studies, a final draft report is prepared. The report covers the following items, such as the background of the survey, progress and results of analyses, evaluation of KUD activities, direction of KUD activities, basic plan for integrated development of KUD and detail plan for integrated development of KUD for the 7 provinces. These items are briefly mentioned in a main report, and an annex is attached. Additionally, the annex provinces survey methods (with questions asked in interviews and specifications of re-entrusted surveys) and results.

4.7 Field Report and Explanation

(1) Explanation of the Final Draft Report (Item 37)

The final draft report is previously sent to the Indonesian counterpart before the field explanation. In the field explanation, a thorough explanation of the contents is given, and comments from the Indonesian side are included as much as possible.

4.8 Preparation of the Final Report

(1) Preparation of the Final Report (Item 38)

Based on the comments from the Indonesian side to the final draft report, adjustments are made as necessary, and the final report is submitted to the Indonesian counterpart.

5. Work Plan

5.1 Work Schedule

Based on S/W, the survey period is divided into three stages, Phase I, Phase II and Phase III. Additionally, the outline of job contents and work flow are shown in "Attached Fig. 1.1 Survey Job Flow Chart" and "Attached Fig. 1.2 Work Schedule".

6. The Experts of the Study Teams and a Plan of Their Working Schedule

The study team consists of following eleven experts. A plan of their working schedule are shown in the attached Diagram 2.1, the working Schedule.

Field	Name
Leader	Midori Matsuhira (Mr.) -External relation, internal adjustment
Sub Leader/ Management of Ag. Coops.	Toshio Shimizu (Mr.) -Group leader of co-operative management
Rural Society & Economy	Sudarsono Hajosukarto (Mr.) -Analysis between Repelita plan, local development plan and agricultural field and KUD , survey on rural social economic condition
Marketing, supply Activities of Ag. Coops.	Daman Prakash (Mr.) -KUD marketing & input activation plan
Development of Agriculture 1	Jiro Hashiguchi (Mr.) -Group leader of agricultural development
Development of Agriculture 2	Takeshi Saito (Mr.) -Analysis for KUD procesing activity
Credit Activities of Ag. Coops.	Mark Van Stynwik (Mr.) -KUD credit/saving activation plan
Activities Evaluation	Tetsuo Mizobe (Mr.) -Evaluation on business activity
Education of Ag. Coops.	Shigeri Fukamachi (Mr.) -KUD Human resource development plan
Design of facilities 1	Takehide Seki (Mr.) -Facility planning
Design of facilities 2	Riichiro Kitamura (Mr.) -Facility planning

7. Survey Execution Scheme

(1) Counterpart Agency

The counterpart is Directorate General of Rural Cooperatives in the Ministry of Cooperatives and Small Enterprises, but to enable this study to be conducted in smooth and efficient manner, a steering committee composed of the Ministry of Agriculture and other related agencies is established by the Indonesian Government.

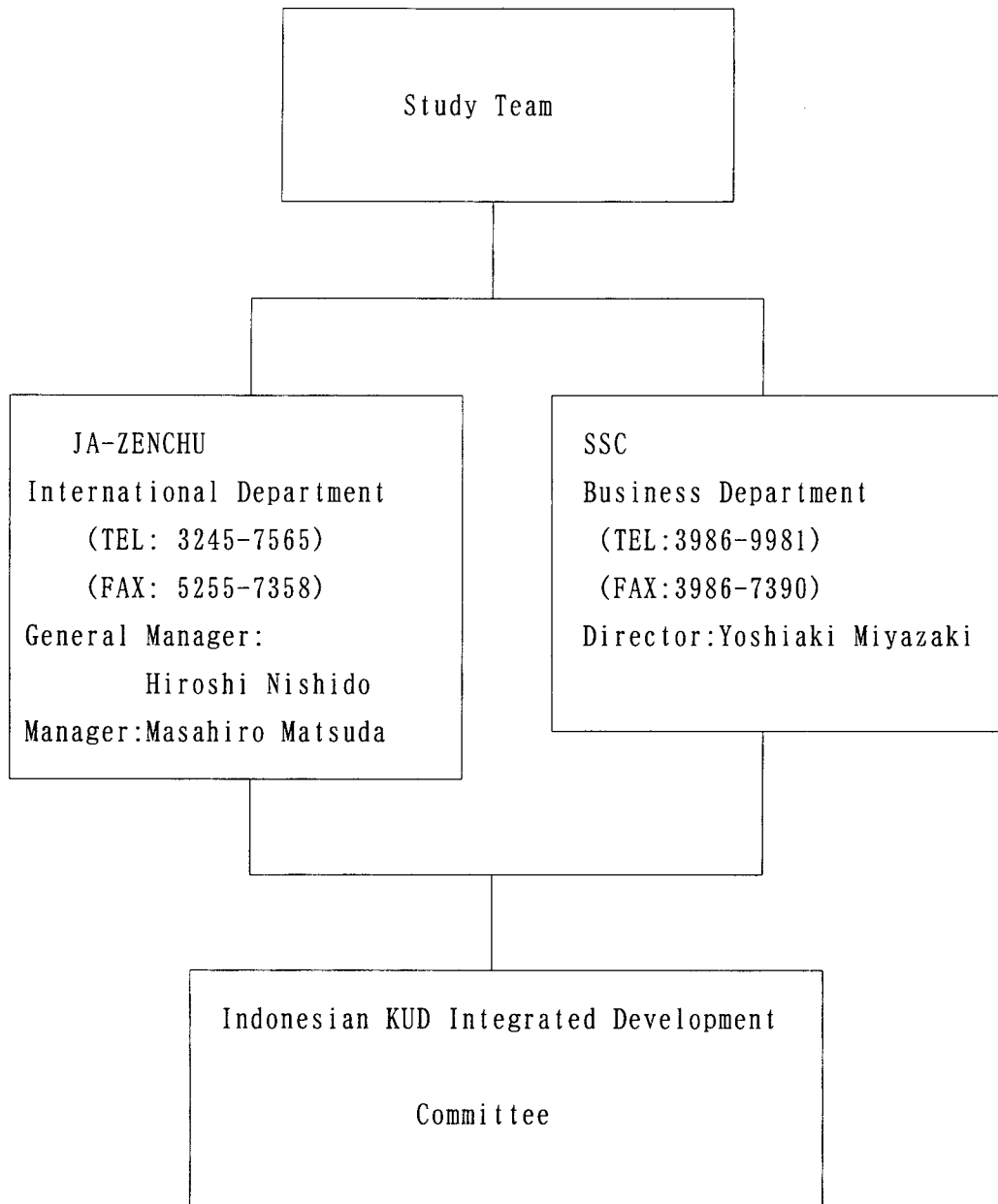
Also, the director of the Bilateral Cooperation Department, the Ministry of Agriculture, joins the steering committee, and data for the survey is supplied through him.

(2) Domestic Support Scheme

To perform this survey, the following scheme is established as the domestic support scheme in Japan by a joint enterprise comprising Zenchu and SCC, and thereby close communication is made with the field survey team, explanation is made to the inspection committee in Japan, and the results of consultation are transmitted to the field survey team.

Specifically, a scheme centered around the International Department of JA Zenchu (Director Hiroshi Nishido and Manager Masahiro Matsuda), as the representative of this enterprise, is established, and all communication with the survey mission and results to be submitted to the Indonesian counterpart are gathered here. Further, under the International Department, the following bureaus and related systems and a committee composed of resource persons who are familiar with Indonesia (as listed in the following page) are installed. Thus, together with the development and planning departments of SSC, suitable advice is given to the survey mission to enable smooth and exact solution of technical problems.

Moreover, to enable smooth business proceedings at home, communication with the survey mission is jointly made by the International Department, JA Zenchu, and the Business Department, SSC.



Scheme of the Joint Enterprise for the Indonesian KUD Integrated Development Plan and Survey in Japan

8. Reports

The following reports will be made and presented to Ministry of Coops. and Small Enterprises.

Report	Date of Presentation	No. of Copies
1. Inception Report	at the commencement of the Phase I Study	30
2. Progress Report (1)	at the end of the Phase I field Survey	30
3. Progress Report (2)	at the end of the Phase II field Survey	30
4. Interim Report	at the end of homework for the Phase II Study	30
5. Progress Report (3)	at the end of the Phase III field Survey	30
6. Draft Final Report	at the end of homework for Phase 3 main report and annexed paper	30
7. Final Report	Within 2 months after the receipt of the Government of Indonesia's comments on the Draft Final Report main report and annexed paper main report only in Japanese	50

(All reports are typed in English.)

9. Necessary Data and list of information collected

The list of data and reference materials in precedent to the study is shown in table 5. The following data is deemed to be necessary to be collected for the coming study.

- Basic statistics on each province and kabupaten
- * Meteorological, natural environment
- * Population and agricultural households
- * Statistics on agricultural production by crops
- * Price of agricultural products
- * Wages of rural employment and wages of urban workers
- * Demand/supply for agricultural products
- * Various data on co-operatives

- Policy and plan for cooperative such as Repelita Plan and other government policy and plan for cooperative

- Various survey report by International organizations such as UNDP, ILO

- Laws and regulations on cooperatives

Table.5 Material List

Field	Title	Contents
Statistics on Socio-Economy	STATISTICAL YEARBOOK OF INDONESIA 1994	Publishing Org. BIRO PUSAT STATISTIK Date of Issue 1994
Statistics on Socio-Economy	NORTH SUMATERA IN FIGURES 1993	Publishing Org. THE STATISTICAL OFFICE OF NORTH SUMATERA PROVINCE Date of Issue 1993
Statistics on Socio-Economy	LAMPUNG IN FIGURES 1993/1994	Publishing Org. REGIONAL PLANNING DEVELOPMENT BOARD/STATISTICAL OFFICE OF LAMPUNG PROVINCE Date of Issue 1994
Statistics on Socio-Economy	WEST JAVA IN FIGURES 1993	Publishing Org. STATISTICAL OFFICE OF WEST JAVA PROVINCE Date of Issue 1993
Statistics on Socio-Economy	EAST JAVA FIGURES 1993	Publishing Org. EAST JAVA STATISTICS OFFICE AND THE GOVERNMENT OF EAST JAVA Date of Issue 1993
Statistics on Socio-Economy	WEST NUSA TENGGARA IN FIGURES 1993	Publishing Org. STATISTICAL OFFICE OF WEST NUSA TENGGARA PROVINCE Date of Issue 1993
Statistics on Socio-Economy	SOUTH KALIMANTAN IN FIGURES	Publishing Org. STATISTICAL OFFICE OF SOUTH KALIMANTAN PROVINCE Date of Issue 1993
Statistics on Socio-Economy	SOUTH SULAWESI IN FIGURES 1993	Publishing Org. CENTRAL BUREAU OF STATISTICS STATISTICAL OFFICE OF SOUTH SULAWESI Date of Issue 1993
Statistics on Socio-Economy	KABUPATEN BANDUNG DALAM ANGKA 1993	Publishing Org. KANTOR STATISTIK BSP KABUPATEN BANDUNG Date of Issue 1993
Statistics on Socio-Economy	SIDENRENG RAPPANG DALAM ANGKA 1990	Publishing Org. KANTOR STATISTIK KABUPATEN SIDENRENG RAPPANG PROPINSI SULAWESI SELATAN Date of Issue 1990
Statistics on Socio-Economy	PROYEKSI PENDUDUK INDONESIA PER KABUPATEN/KOTAMADYA 1990-2000	Publishing Org. 中央統計局 Date of Issue 1990
Statistics on Socio-Economy	LIST OF PUBLICATIONS JUNE 1995	Publishing Org. BIRO PUSAT STATISTIK Date of Issue JUNE 1995
KUD	Cooperative Law 1992	Publishing Org. International dept. JA-ZENCHU Date of Issue JUNE 1994
KUD	REPORT JICA-DEPKOP & PPK SEMINAR DEVELOPMENT OF RURAL - BASED COOPERATIVES	Publishing Org. MINISTRY OF COOPERATIVES AND SMALL ENTERPRISE DEVELOPMENT Date of Issue JULY 1994
KUD	INDUK KOPERASI UNIT DESA ANNUAL REPORT 1993	Publishing Org. INDUK KOPERASI UNIT DESA Date of Issue 1993
KUD	VILLAGE COOPERATIVE UNIT (KUD)	Publishing Org. DEPARTMENT OF COOPERATIVES Date of Issue 1994
KUD	AGRICULTURAL COOPERATIVES IN INDONESIA	Publishing Org. BUREAU OF PLANNING MINISTRY OF AGRICULTURE Date of Issue 1995
KUD	CALON LOKASI PROYEK "UMBRELLA COOPERATION III INDONESIA-JEPANG (DATA POTENSI SEKTOR PERTANIAN)	Publishing Org. KANTOR WILAYAH DEPARTEMEN PERTANIAN PROPINSI NUSA TENGGARA BARAT MATARAM Date of Issue 1995
KUD (Statistics)	KABUPATEN DIRECTORY	Publishing Org. DEPARTEMEN KOPERASI Date of Issue SEPTEMBER 1993

Table 5 Material List

Field	Title	Contents
KUD	PROGRAM PENGEMBANGAN DAN KERAGAMAN KOPERASI /KUD UNTUK PROYEK UMBRELLA COOPERATION III	KANDEP KOPERASI DAN PPK KAB SIDENRENG RAPPANG SEP. 1995
KUD	DEVELOPMENT POLICY OF COOPERATIVES AND SMALL BUSINESS ENTERPRISES IN THE SIXTH FIVE YEAR DEVELOPMENT PLAN/REPELITA VI	DEPARTMENT OF COOPERATIVES Date of Issue
KUD	DIREKTORI KUD MANDIRI	DEPARTMEN KOPERASI DAN PEMBINAAN PENGUSAHA KECIL 1993 Date of Issue
KUD	THE INDOONESIAN CO-OPERATIVE COUNCIL DEKOPIN	THE INDOONESIAN CO-OPERATIVE COUNCIL 1994 Date of Issue
KUD	AN HISTORIC CHRONICLE VILLAGE COOPERATIVE UNIT (1973-1993)	DEPARTMENT OF COOPERATIVES OF THE REPUBLIC OF INDONESIA March. 1993 Date of Issue
KUD	WAYS TO STRENGTHEN THE COOPERATION BETWEEN THE CREDIT SUPPLEMENTATIONS INSTITUTION AND FINANCIAL INSTITUTIONS	MINISTRY OF FINANCE STATE OWNED COMPANY COOPERATIVE FINANCE DEVELOPMENT 1994, SEPTEMBER Date of Issue
KUD	JURNAL KOPERASI INDONESIA	Reserch Institute on cooperatives Management, Indonesia 1993 Date of Issue
KUD	THE AUDITING SERVICE COOPERATIVE	KOPERASI JASA AUDIT NASIONAL 1988 Date of Issue
KUD	INDONESIAN COOPERATIVES FLOURISHING IN THE MIDST OF THOUSAND CHALLENGES	DEPARTMENT OF COOPERATIVES 1884 Date of Issue
KUD	STRENGTHENING PILLARS OF SELF-RELIANCE OF COOPERATIVES	DEPARTMENT OF COOPERATIVES 1983 Date of Issue
KUD	REPORT OF APPRECIATION TEAM FOR DEVELOPMENT SURVEY FOR THE THIRD UMBRELLA COOPERATION ON INTEGRATED AGRICULTURAL AND RURAL DEVELOPMENT	SECRETARIAT THE THIRD UMBRELLA COOPERATION/ BUREAU FOR INTERNATIONAL COOPERATION NOV. 1995 Date of Issue
KUD	AGRICULTURAL COOPERATIVE DEVELOPMENT IN INDONESIA	REGIONAL OFFICE FOR ASIA AND THE PACIFIC FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS JUNE 1990 Date of Issue
KUD	P 4 K TECHNICAL ASSISTANCE REQUIREMENTS INCOME GENERATING PROJECT III 1994-1998	UNDP 1994 Date of Issue
KUD	AGRIBUSINESS ORIENTED AGRICULTURAL DEVELOPMENT	AGRIBUSINESS AGENCY, MINISTRY OF AGRICULTURE OF THE REPUBLIC OF INDONESIA APRIL, 1994 Date of Issue
KUD	STRATEGIC PLANNING TO ENHANCE SELF-RELIANCE OF INDONESIA'S COOPERATIVE MOVEMENT	UNDP AUGUST 1991 Date of Issue
KUD	STRATEGIC PLANNING TO ENHANCE SELF-RELIANCE OF INDONESIA'S COOPERATIVE MOVEMENT SUMMARY OF FINDINGS	UNDP APRIL 1992 Date of Issue
KUD	TERMINAL REPORT - STRATEGIC PLANNING TO ENHANCE SELF-RELIANCE OF INDONESIA'S COOPERATIVE MOVEMENT	UNDP JULY, 1992 Date of Issue

Table. 5 Material List

Field	Title	Contents
KUD	STRENGTHENING SELF-RELIANCE ON THE VILLAGE UNIT COOPERATIVES (KUD) STRUCTURE	Publishing Org. UNDP Date of Issue SEPTEMBER 1994
KUD	AGRO-ECONOMIC STUDY THROUGH PROJECT IMPLEMENTATION IN THE FIELD OF VILLAGE COOPERATIVE BUSINESS DEVELOPMENT IN INDONESIA	Publishing Org. Y. SUGII Date of Issue JUNE 1991
KUD	KERACAAN KUD, KOPERASI DAN PK PESERTA TEMUWICARA	Publishing Org. PANITIA PERINGATAN HARI KOPERASI KE 48 Date of Issue 1995
KUD	PROPOSAL BUSINESS EXPANSION PLAN OF KUD PASIRJAMBU	Publishing Org. KOPERASI UNIT DESA PASIRJAMBU Date of Issue 1995
KUD	KUD SLEMAN - VILLAGE UNIT COOPERATIVE	Publishing Org. KUD SLEMAN Date of Issue 1995
KUD	PROFIL KUD "BATU"	Publishing Org. BATU KUD Date of Issue 1994
KUD	LAPORAN TAHUNAN	Publishing Org. KOPERASI PETERNAKAN DAN PEMERAHAN AIR SUSU SAPI RAKYAT "SAE" PUJON Date of Issue 1994
KUD	PROFIL KUD BOROBUDUR	Publishing Org. KUD BOROBUDUR Date of Issue 1994
KUD	THE WIROGOTOMO KUD AN EXAMPLE OF RURAL COOPERATIVE	Publishing Org. KUD WIROGOTOMO Date of Issue 1994
KUD	SMALL BUSINESS IN THE INDONESIAN ECONOMY	Publishing Org. THE MINISTRY OF COOPERATIVES AND SMALL ENTERPRISES OF THE REPUBLIC OF INDONESIA Date of Issue SEPTEMBER 1994
KUD	SMALL BUSINESS PROFILE IN INDONESIA	Publishing Org. THE MINISTRY OF COOPERATIVES AND SMALL ENTERPRISES OF THE REPUBLIC OF INDONESIA Date of Issue SEP. 1994
KUD	DAFTAR NAMA KUD	Publishing Org. DEPARTEMEN KOPERASI Date of Issue 1992
KUD	DAFTAR NAMA DAN ALAMAT KOPERASI UNIT DESA (KUD) 1991 DKUD-1-3	Publishing Org. BIRO PUSAT STATISTIK Date of Issue 1991
KUD	PROFIL KOPPAS INDUK KRAMAT JATI	Publishing Org. KOPPAS INDUK KRAMAT JATI Date of Issue 1993
Agriculture	DAFTAR NAMA DAN ALAMAT PERUSAHAAN PETERNAKAN	Publishing Org. BIRO PUSAT STATISTIK Date of Issue 1992
Agriculture	DAFTAR NAMA DAN ALAMAT RUMAH POTONG HEWAN	Publishing Org. BIRO PUSAT STATISTIK Date of Issue 1992
Agriculture	INVENTORY OF EQUIPMENT SUPPLIED THROUGH THE SECOND KR & OECF PROJECT (1980-1993)	Publishing Org. BIRO PERENCANAAN DEPARTEMEN KOPERASI DAN PEMBINAAN PENGUSAHA KECIL Date of Issue JUNE, 1994
Social & Economy	TAXATION IN INDONESIA	Publishing Org. GADJAH MADA UNIVERSITY PRESS Date of Issue 1993
Agriculture	RICE MILLING CAPACITY BY KABUPATEN	Publishing Org. JICA Expert Date of Issue JUNE 1993

Table 5 Material List

Field	Title	Contents
Agriculture (Statistics)	AGRICULTURAL SURVEY PRODUCTION OF VEGETABLE AND FRUIT CROPS IN INDONESIA	Publishing Org. BIRO PUSAT STATISTIK Date of Issue 1993
Agriculture (statistics)	AGRICULTURAL SURVEY PRODUCTION OF CEREALS IN INDONESIA	Publishing Org. BIRO PUSAT STATISTIK Date of Issue 1993
Agriculture (statistics)	AGRICULTURAL SURVEY PRODUCTION OF CEREALS IN JAVA	Publishing Org. BIRO PUSAT STATISTIK Date of Issue 1992
Agriculture (statistics)	AGRICULTURAL SURVEY PRODUCTION OF CEREALS IN JAVA	Publishing Org. BIRO PUSAT STATISTIK Date of Issue 1993
Agriculture (statistics)	AGRICULTURAL SURVEY PRODUCTION OF FRUIT CROPS IN JAVA	Publishing Org. BIRO PUSAT STATISTIK Date of Issue 1992
Agriculture (statistics)	STATISTIK HARGA PRODUSEN SEKTOR PERTANIAN DI JAWA 1983-1994 SEPULUH PROPINSI LIAR JAWA 1987-1994	Publishing Org. BIRO PUSAT STATISTIK Date of Issue FEB. 1995
Map	ATLAS ILMU PENGETAHUAN SOSIAL	Publishing Org. PT PEMBINA PERAGA Date of Issue 1995
Map	SULAWESI SELATAN	Publishing Org. PRIMA INDONESIA Date of Issue 1991
Map	PETA PERWILAYAHAN KOMODITI PERTANIAN PROPINSI SULAWESI SELATAN	Publishing Org. DEPARTEMEN PERTANIAN Date of Issue

10. Undertaking of the Government of the Indonesia

In accordance with the attached " Scope of Work (S/W)" and " Minutes of Meeting on Scope of Work " for a Study on Integrated development Project for Rural Cooperatives in the Republic of Indonesia agreed upon between Cooperatives and small enterprizes and Japan International Cooperation Agency (JICA) on November 23, 1995, JICA requests the Government of Indonesia that following facilities would be provided to the study team during implementation of the study.

(1) Counterpart Personnel

Field	No. of Personnel
Leader (Chief counterpart)	1
Sub Leader/ Management of Coops.	1
Rural Society & Economy	1
Marketing, supply activities of Agri Coops.	1
Development of Agriculture	1
Credit Activities of Ag. Coops.	1
Activities Evaluation	1
Education of Ag. Coops.	1
Design of facilities 1	1
Design of facilities 2	1

It is requested that appropriate persons (full time officers/ engineers) in the Ministry of Cooperatives and small enterprizes would be appointed as the above counterpart personnels.

(2) It is requested that Chief class officers/engineers in the Ministry of Cooperatives and small enterprizes would be appointed as the project officers, and that a steering committee would be organized by them in order to provide necessary assistance to the study team.

(3) Available data and information related to the study.

(4) Suitable office space with following equipment (in Jakarta, Medan, Bandar Lampung, bandung, Surabaya, Mataram, Ujung Pandang, Banjarmasin, and feasibility study sites.

Equipment	No.
-----------	-----

Desk & Chair	
--------------	--

Telephone	
-----------	--

(5) To issue credentials or idenfication card for the Japanese study team.

(6) To facilitate smooth conduct of the study, the Government of Indonesia shall take necessary measures;

1. to secure the safety of the Japanese study team
2. to permit the members of the Japanese study team to enter, leave and sojourn in the Republic of Indonesia for the duration of their assignment therein and exempt them from foreign registration requirments and consular fees.
3. to exempt the members of the Japanese study team from taxes, duties, fees and any other charges on equipment, machinery and other materials brought into the Republic of Indonesia for the conduct of the Study.
4. to exempt the members of the Japanese study team from income tax and charges of any kind imposed on or in connection with any emoluments or allowances paid to the members of the Japanese study team for their services in connection with the implementation of the Study.
5. to provide necessary facilities to the Japanese study team for the remittance as well as utilization of the funds introduced into the

Republic of Indonesia from Japan in connection with the implementation of the Study.

6. to secure permission for entry into private properties or restricted areas for the implementation of the Study.
7. to secure permission for the Japanese study team to take all data and documents (including photographs and maps) related to the Study out of the republic of Indonesia to Japan.
8. to provide medical services as needed. Its expense will be changeable on the members of the Japanese study team.
9. The Government of Indonesia shall bear claims, if any arises, against the members of the Japanese study team resulting from, occurring in the course of, or otherwise connected with, the discharge of their duties in the implementation of the Study, except when such claims arise from gross negligence or willful misconduct on the part of the members of the Japanese study team.

11. Technology Transfer Execution Policy

Technology transfer from the study team is performed between individual experts and counterpart members in their daily business operations, and at periodical joint meetings. In addition, training programs for counterpart members in Japan, and technology transfer seminars which may be held immediately before the end of field surveys of Phase I and II or when explaining the final draft report can be considered.

When these programs are carried out, full support is given.

Also, technology transfer to model KUD members in Phase III is very important, so it is positively promoted. In addition to this, the technology transfer plan to each counterpart shall be formulated by mutual discussion with Indonesian side.

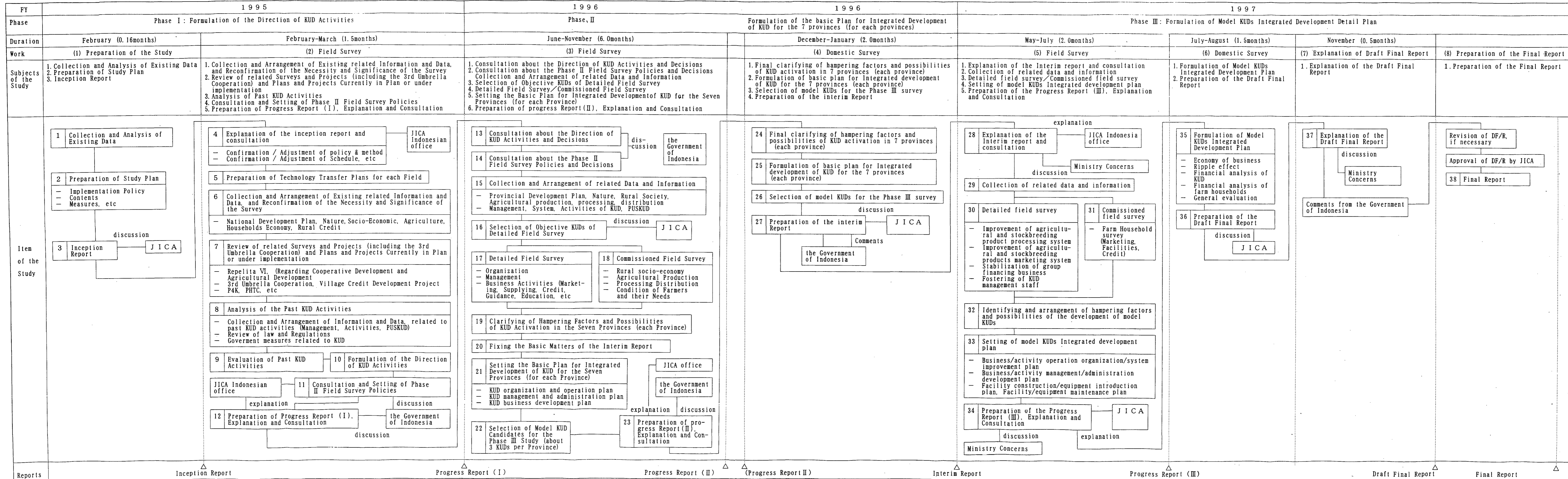
Appendix 1

Diagram 1.1 The Study Flow Chart

Diagram 1.2 The Study Schedule Table

Diagram 2.1 The Working Schedule

Diagram 1.1 The Study Flow Chart



The Study Schedule Table

Subjects of the study	FY1996							FY1997																
	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3
(Phase II Study)																								
(1) Field Survey																								
1.3. Consultation about the Direction of KUD Activities and Decisions																								
1.4. Consultation about the Phase II Field Survey Policies and Decisions																								
1.5. Collection and Arrangement of related Data and Information																								
1.6. Selection of Objective KUDs of Detailed Field Survey																								
1.7. Detailed Field Survey																								
1.8. Commissioned Field Survey																								
1.9. Clarifying of Hampering Factors and Possibilities of KUD Activation in the Seven States (each state)																								
2.0. Fixing the Basic Matters of the Interim Report																								
2.1. Settling the Basic Plan for Integrated Development of KUD for the Seven Provinces (for each Province)																								
2.2. Selection of Model KUD Candidates for the Phase III Study (about 3 KUDs per state)																								
2.3. Preparation of progress Report (II), Explanation and Consultation																								
(2) Domestic Survey																								
2.4. Final clarifying of hampering factors and possibilities of KUD activation in 7 provinces (each state)																								
2.5. Formulation of basic plan for integrated development of KUD for the 7 provinces (each province)																								
2.6. Selection of model KUDs for the Phase III survey																								
2.7. Preparation of the interim Report																								

凡例: Preparation Field Survey Domestic Survey Explanation of the Report

Diagram 2.1 The Working Schedule

Field	Name	FY 1996												FY 1997				man/month																							
		FY 1995		3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	FY 1995		FY 1996		FY 1997		Total											
		2	月	Field	Domestic	Field	Domestic	Field	Domestic	Field	Domestic	Field	Domestic	Field	Domestic	Field	Domestic	Field	Domestic	Field	Domestic	Field	Domestic	Field	Domestic	Field	Domestic	Field	Domestic												
Leader	Midori Matsuhiro	■	■	■		■		■		■		■		■		■		■		■		■		■		■		■		0.56	0.16	1.50	1.50	1.00	1.70	1.00	1.50	1.00	1.50	3.06	3.36
Sub Leader/ Management of Coops.	Toshio Shimizu	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	1.50	0.16	6.00	2.00	2.23	2.00	1.50	1.50	9.73	3.66		
Rural Socio-Economy	Sudarsono Harjosoekarto	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	1.50	0.16	6.00	2.00	2.00	2.00	9.50	3.66				
Marketing, supply activities of Agri Coops.	Daman Prakash	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	1.50	0.16	6.00	2.00	2.00	2.00	9.50	3.66				
Development of Agriculture(I)	Jiro Hashiguchi	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	1.50	0.16	3.50	2.00	2.00	2.00	7.00	3.66				
Development of Agriculture(II)	Takeshi Saito																											0.00	0.00	2.40	0.00	0.00	0.00	2.40	0.00						
Credit Activities of Ag. Coops.	Mark Van Steenwyk																											1.00	0.00	1.50	1.50	1.00	1.50	3.50	2.30						
Activities Evaluation	Tetsuo Mizobe																											0.00	0.00	0.00	0.00	1.50	0.80	1.50	0.80						
Education of Ag. Coops.	Shigeri Fukamachi																											0.00	0.00	0.80	2.00	1.00	0.60	1.80	2.60						
Design of facilities(I)	Takehide Seki																											0.00	0.00	0.00	0.00	1.00	0.50	1.00	0.50						
Design of facilities(II)	Riichiro Kitamura																											0.00	0.00	0.00	0.00	1.00	0.50	1.00	0.50						
合 計																												7.56	0.80	27.70	13.20	14.73	10.70	49.99	24.70						

凡例 ■ Field Survey

▨ Domestic Survey

Appendix 2

1. Scope of Work for a Study on Integrated Development Project
for Rural Cooperatives in the Republic of Indonesia

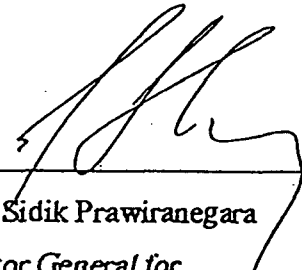
2. Minutes of Meeting on Scope of Work for a Study on
Integrated Development Plan for Rural Cooperatives
in the Republic of Indonesia

1. 実施細則 (S/W)

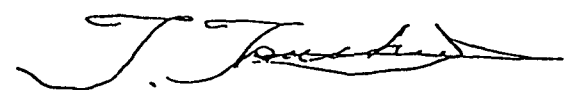
SCOPE OF WORK
FOR
A STUDY
ON
INTEGRATED DEVELOPMENT PROJECT
FOR
RURAL COOPERATIVES
IN
THE REPUBLIC OF INDONESIA

AGREED UPON
BETWEEN
DIRECTORATE GENERAL OF RURAL COOPERATIVES DEVELOPMENT,
MINISTRY OF COOPERATIVES AND SMALL ENTERPRISES
AND
JAPAN INTERNATIONAL COOPERATION AGENCY

JAKARTA, NOVEMBER 23, 1995



Mr. A. Sidik Prawiranegara
Director General for
Rural Cooperatives Development,
Ministry of Cooperatives and Small Enterprises



Mr. Tadashi TSUCHIYA
Leader
Preparatory Study Team,
Japan International Cooperation Agency

I. INTRODUCTION

In response to the request of the Government of the Republic of Indonesia (hereinafter referred to as "the Government of Indonesia"), the Government of Japan has decided to conduct a Study on Integrated Development Project for Rural Cooperatives in the Republic of Indonesia (hereinafter referred to as "the Study"), in accordance with the relevant laws and regulations in force in Japan.

Accordingly, Japan International Cooperation Agency (hereinafter referred to as "JICA"), the official agency responsible for the implementation of the technical cooperation programs of the Government of Japan, will undertake the Study in close cooperation with the authorities concerned of the Government of Indonesia.

The present document sets forth the Scope of Work with regard to the Study.

II. OBJECTIVES OF THE STUDY

The objectives of the Study are:

- 1-1. To evaluate the activities of rural cooperatives (Koperasi Unit Desa ; hereinafter referred to as "KUD") in past years, and formulate a general strategy for activation of KUD aiming at increasing incomes of inhabitants in rural areas so that rural living conditions be improved.
 - 1-2. To prepare Master Plans of re-orientation the activities of KUD in selected seven provinces by introducing factors of industrial cooperatives into KUD or strengthening existing function.
 - 1-3. To prepare most feasible activation plan of KUD in two model areas.
2. To transfer technology, which is required on preparing plans, to the Indonesian counterpart personnel through on-the-job training in the course of the Study.

III. STUDY AREA

The Study covers three different groups of provinces and/or Kabupaten depending on its objectives. (See location map attached as ANNEX I)

- Study area for the objective 1-1 : whole Indonesia
- Study area for the objective 1-2 : seven provinces, namely

Sumatera Utara, Lampung, Jawa Barat, Jawa Timur,
Nusa Tenggara Barat, Kalimantan Selatan,
Sulawesi Selatan

- Study area for the objective 1-3 : two Kabupaten, namely
 - Kab. Bandung in Jawa Barat
 - Kab. Sidrap in Sulawesi Selatan

IV. SCOPE OF THE STUDY

In order to achieve above objectives, the Study will consist of following three phases:

1. Phase I

Formulation of a general strategy for activation of KUD.

- 1-1. To collect and review relevant existing data and information on the past activities of KUD.
- 1-2. To review relevant laws and regulations, and development plans (national plans, regional plans, Third Umbrella Cooperation for Integrated Agricultural and Rural Development, etc.).
- 1-3. To evaluate the past activities of KUD, before and after the achievement of self-sufficiency of rice.
- 1-4. To formulate a general strategy for re-orientation of KUD activities.

2. Phase II

Formulation of Master Plans for seven provinces to activate KUD so that the rural living conditions be improved through development of farming.

- 2-1. To collect and review relevant existing data and information and to carry out field survey and investigation with regards to:
 - A. natural condition
 - B. social condition
 - C. agriculture
 - production
 - processing
 - demand
 - market
 - distribution
 - infrastrucrure

- farmers' economy
- supporting system
- others

D. KUD

- organization
- activities
- financial conditions
- others

E. other related information

2-2. To identify the constraints and potential for re-orientation the activities of KUD.

2-3. To formulate Master Plans for each Province. Major components of the Plans shall be tentatively as follows:

- KUD activation plan for the facilitation and the diversification of agricultural production
- KUD activation plan for the processing of agricultural produces
- KUD activation plan for the distribution of agricultural produces and products
- Human resources enhancing plan required for the re-oriented KUD activities
- KUD activation plan for the establishment of rural credit system

3. Phase III

Implementation of a feasibility study in order to formulate the most appropriate plan of KUD activities in two model areas.

V. STUDY SCHEDULE

The Study will be carried out in accordance with the attached tentative schedule. (See ANNEX II)

VI. REPORTS

JICA shall prepare and submit the following reports in English to the Government of Indonesia.

1. Inception Report

Thirty (30) copies at the commencement of the Phase I field study.

2. Progress Report (1)

Thirty (30) copies at the end of the Phase I field study.

3. Interim Report (1)

Thirty (30) copies at the commencement of the Phase II field study.

4. Progress Report (2)

Thirty (30) copies at the end of the Phase II field study.

5. Interim Report (2)

Thirty (30) copies at the commencement of the Phase III field study.

6. Progress Report (3)

Thirty (30) copies at the end of the Phase III field study.

7. Draft Final Report

Thirty (30) copies after the Phase III study. The Government of Indonesia will provide JICA with its comments on the Draft Final Report within one (1) month after receipt of the Draft Final Report.

8. Final Report

Fifty (50) copies within two (2) months after the receipt of the Government of Indonesia's comments on the Draft Final Report.

VII. UNDERTAKING OF THE GOVERNMENT OF INDONESIA

1. To facilitate smooth conduct of the study, the Government of Indonesia shall take necessary measures :

1-1. to secure the safety of the Japanese study team,

1-2. to permit the members of the Japanese study team to enter, leave and sojourn in the Republic of Indonesia for the duration of their assignment therein, and exempt them from foreign registration requirements and consular fees,

1-3. to exempt the members of the Japanese study team from taxes, duties, fees and any other charges on equipment, machinery and other materials brought into the Republic of Indonesia for the conduct of the Study,

1-4. to exempt the members of the Japanese study team from income tax and charges of any kind imposed on or in connection with any emoluments or allowances paid to the members of the Japanese study team for their services in connection with the implementation of the Study,

1-5. to provide necessary facilities to the Japanese study team for the remittance as well as utilization of the funds introduced into the Republic of Indonesia from Japan in connection with the implementation of the Study,

1-6. to secure permission for entry into private properties or restricted areas for the implementation of the Study,

- 1-7. to secure permission for the Japanese study team to take all data and documents (including photographs and maps) related to the Study out of the Republic of Indonesia to Japan.
 - 1-8. to provide medical services as needed. Its expense will be chargeable on the members of the Japanese study team.
2. The Government of Indonesia shall bear claims, if any arises, against the members of the Japanese study team resulting from, occurring in the course of, or otherwise connected with, the discharge of their duties in the implementation of the Study, except when such claims arise from gross negligence or willful misconduct on the part of the members of the Japanese study team.
 3. Directorate General of Rural Cooperatives Development, Ministry of Cooperatives and Small Enterprises (hereinafter referred to as "DGRCD") shall act as counterpart agency to the Japanese study team and also as coordinating body in relation with other governmental and non-governmental organizations concerned for the smooth implementation of the Study.
 4. DGRCD shall, at its own expense, provide the Japanese study team with the following, in cooperation with other organizations concerned :
 - 4-1. available data and information related to the Study,
 - 4-2. counterpart personnel (tentatively 10 persons),
 - 4-3. suitable office space with necessary equipment and furniture in Jakarta and study sites, and
 - 4-4. credentials or identification cards.

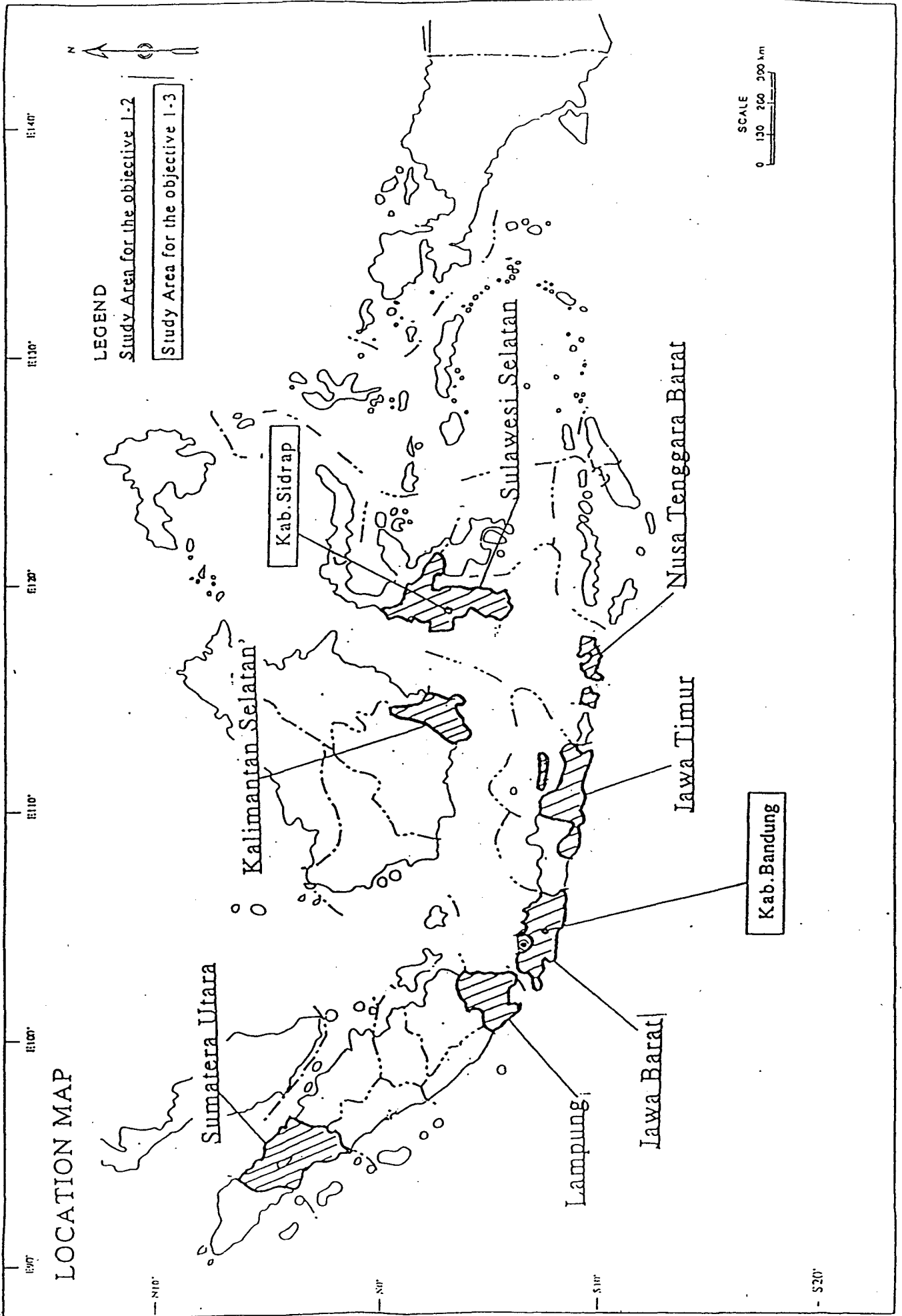
VIII. UNDERTAKING OF JICA

For the implementation of the Study, JICA shall take the following measures :

1. to dispatch, at its own expense, study teams to the Republic of Indonesia, and
2. to pursue technology transfer to the Indonesian counterpart personnel in the course of the Study.

IX. CONSULTATION

JICA and DGRCD shall consult with each other in respect of any matter that may arise from or in connection with the Study.



TENTATIVE SCHEDULE

ANNEX II

Month Item	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25
Work in Indonesia		■						■	■	■	■							■				■			
Work in Japan	□					□						□	□	□						□	□		○		
Phase	← Phase I →			← Phase II →					← Phase III →																
Reports	△ IC/R	△ P/R (1)	△ P/R (1)				△ IT/R (1)				△ P/R (2)	△ P/R (2)					△ IT/R (2)	△ P/R (3)	△ P/R (3)	△ DF/R	△ DF/R			△ F/R	△ F/R

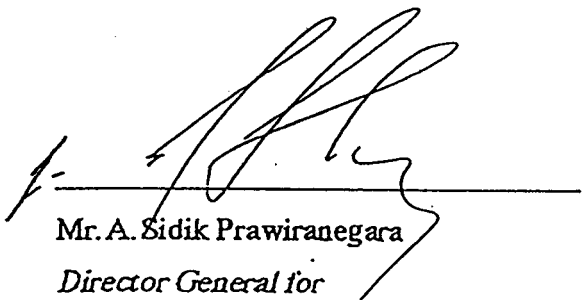
(Remarks) IC/R: Inception Report P/R : Progress Report
 IT/R: Interim Report DF/R : Draft Final Report F/R : Final Report
 ◎Comments on DF/R by the Indonesian side

2. 協議議事録 (M/M)

MINUTES OF MEETING
ON
SCOPE OF WORK
FOR
A STUDY
ON
INTEGRATED DEVELOPMENT PROJECT
FOR
RURAL COOPERATIVES
IN
THE REPUBLIC OF INDONESIA

AGREED UPON
BETWEEN
DIRECTORATE GENERAL OF RURAL COOPERATIVES DEVELOPMENT,
MINISTRY OF COOPERATIVES AND SMALL ENTERPRISES
AND
JAPAN INTERNATIONAL COOPERATION AGENCY

JAKARTA, NOVEMBER 23, 1995

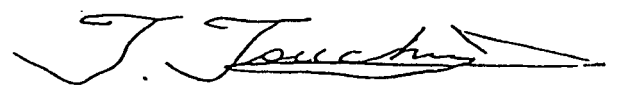


Mr. A. Sidik Prawiranegara

Director General for

Rural Cooperatives Development,

Ministry of Cooperatives and Small Enterprises



Mr. Tadashi TSUCHIYA

Leader

Preparatory Study Team,

Japan International Cooperation Agency

The preparatory study team (hereinafter referred to as "the Team") organized by the Japan International Cooperation Agency (hereinafter referred to as "JICA"), and headed by Mr. Tadashi TSUCHIYA, visited the Republic of Indonesia from November 14 to 25, 1995 for the purpose of discussing and confirming Scope of Work for a Study on Integrated Development Project for Rural Cooperatives in the Republic of Indonesia.

The Team had a series of discussions and changed views with the officials concerned of the Directorate General of Rural Cooperatives Development, Ministry of Cooperatives and Small Enterprises (hereinafter referred to as "DGRCD"), on Scope of Work for the Study. The list of participants in the meetings is attached in the Annex.

As a result of the discussions, DGRCD and the Team agreed on Scope of Work for the Study.

The following are the main issues discussed and agreed upon by both sides in relation to Scope of Work for the Study.

1. The Team suggested that a Steering Committee (hereinafter referred to as "the Committee"), for smooth and effective implementation of the Study, be organized by relevant departments and organizations of the Government of Indonesia (including Ministry of Agriculture) before beginning of the Study. DGRCD agreed with the idea and promised to organize the Committee.
2. The Team requested that counterpart personnel to the Japanese study team, necessary for smooth and effective implementation of the Study, be assigned in Jakarta and study sites. DGRCD agreed with the idea and promised to be responsible for the assigning.
3. The Team requested that offices for the Japanese study team equipped with telephones, electricity, water supply and necessary number of desks and chairs be provided in Jakarta, Medan, Bandar Lampung, Bandung, Surabaya, Mataram, Ujung Pandang, Banjarmasin, and feasibility study sites. DGRCD promised to provide these offices at the commencement of the Study.
4. DGRCD requested that the following equipment necessary for the Study be procured by JICA and the Team promised to convey the request to the JICA headquarter in Tokyo.
 - vehicles
 - photocopy machine
 - computers
5. DGRCD requested counterparts training in Japan. The Team promised to convey the request to the JICA headquarter.

LIST OF PARTICIPANTS

Secretary General

Drs. Soeyanto	Head, Bureau of Planning
Ir. Hendrianto	Staff, Bureau of Planning
Mr. Hideo WATANABE	JICA Expert, Bureau of Planning,
Mr. Toshio SHIMIZU	JICA Expert, Bureau of Planning

DGRCD

Mr. A. Sidik Prawiranegara	Director General for Rural Cooperative Development
Ir. Teguh Boediyana	Director for Livestock Cooperative Development
Ir. Wayan Suarja	Chief, Planning Division, Secretariat for DG
Drs. Hari Parwanto	Chief, Food Crops Agricultural Cooperative Sub-division
Drs. Faros S. Rochman	Chief, Animal Husbandry Cooperative Sub-division
Ir. Meliadi Sembiring	Chief, Evaluation and Report Division, Secretariat for DG
Mr. Haslan Yunus	Chief, Secretariat for DG
Ir. Mardjoko Pratomo	Section Chief, Estate Cooperative Sub-division

The Team

Mr. Tadashi TSUCHIYA	Leader
Mr. Hiroaki KINOSHITA	Member
Mr. Nobuo TAMESUE	Member
Mr. Yukiyasu YAMAKITA	Member
Mr. Yasuhiro NAGAI	Member
Mr. Kenichi MATSUMOTO	Member

Secretariat of Umbrella Cooperation III

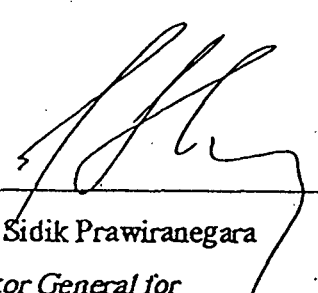
Mr. Naotoshi KAKIYA	JICA Exper
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1. 実施細則 (S / W)

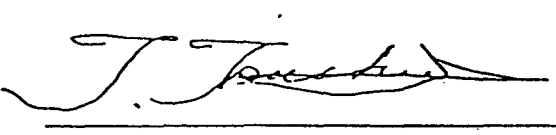
SCOPE OF WORK
FOR
A STUDY
ON
INTEGRATED DEVELOPMENT PROJECT
FOR
RURAL COOPERATIVES
IN
THE REPUBLIC OF INDONESIA

AGREED UPON
BETWEEN
DIRECTORATE GENERAL OF RURAL COOPERATIVES DEVELOPMENT,
MINISTRY OF COOPERATIVES AND SMALL ENTERPRISES
AND
JAPAN INTERNATIONAL COOPERATION AGENCY

JAKARTA, NOVEMBER 23, 1995



Mr. A. Sidik Prawiranegara
Director General for
Rural Cooperatives Development,
Ministry of Cooperatives and Small Enterprises



Mr. Tadashi TSUCHIYA
Leader
Preparatory Study Team,
Japan International Cooperation Agency

I. INTRODUCTION

In response to the request of the Government of the Republic of Indonesia (hereinafter referred to as "the Government of Indonesia"), the Government of Japan has decided to conduct a Study on Integrated Development Project for Rural Cooperatives in the Republic of Indonesia (hereinafter referred to as "the Study"), in accordance with the relevant laws and regulations in force in Japan.

Accordingly, Japan International Cooperation Agency (hereinafter referred to as "JICA"), the official agency responsible for the implementation of the technical cooperation programs of the Government of Japan, will undertake the Study in close cooperation with the authorities concerned of the Government of Indonesia.

The present document sets forth the Scope of Work with regard to the Study.

II. OBJECTIVES OF THE STUDY

The objectives of the Study are;

- 1-1. To evaluate the activities of rural cooperatives (Koperasi Unit Desa ; hereinafter referred to as "KUD") in past years, and formulate a general strategy for activation of KUD aiming at increasing incomes of inhabitants in rural areas so that rural living conditions be improved.
 - 1-2. To prepare Master Plans of re-orientation the activities of KUD in selected seven provinces by introducing factors of industrial cooperatives into KUD or strengthening existing function.
 - 1-3. To prepare most feasible activation plan of KUD in two model areas.
2. To transfer technology, which is required on preparing plans, to the Indonesian counterpart personnel through on-the-job training in the course of the Study.

III. STUDY AREA

The Study covers three different groups of provinces and/or Kabupaten depending on its objectives. (See location map attached as ANNEX I)

- Study area for the objective 1-1 : whole Indonesia
- Study area for the objective 1-2 : seven provinces, namely

Sumatera Utara, Lampung, Jawa Barat, Jawa Timur,
Nusa Tenggara Barat, Kalimantan Selatan,
Sulawesi Selatan

- Study area for the objective 1-3 : two Kabupaten, namely

Kab. Bandung in Jawa Barat

Kab. Sidrap in Sulawesi Selatan

IV. SCOPE OF THE STUDY

In order to achieve above objectives, the Study will consist of following three phases:

1. Phase I

Formulation of a general strategy for activation of KUD.

- 1-1. To collect and review relevant existing data and information on the past activities of KUD.
- 1-2. To review relevant laws and regulations, and development plans (national plans, regional plans, Third Umbrella Cooperation for Integrated Agricultural and Rural Development, etc.).
- 1-3. To evaluate the past activities of KUD, before and after the achievement of self-sufficiency of rice.
- 1-4. To formulate a general strategy for re-orientation of KUD activities.

2. Phase II

Formulation of Master Plans for seven provinces to activate KUD so that the rural living conditions be improved through development of farming.

- 2-1. To collect and review relevant existing data and information and to carry out field survey and investigation with regards to;
 - A. natural condition
 - B. social condition
 - C. agriculture
 - production
 - processing
 - demand
 - market
 - distribution
 - infrastructure

- farmers' economy
- supporting system
- others

D. KUD

- organization
- activities
- financial conditions
- others

E. other related information

2-2. To identify the constraints and potential for re-orientation the activities of KUD.

2-3. To formulate Master Plans for each Province. Major components of the Plans shall be tentatively as follows;

- KUD activation plan for the facilitation and the diversification of agricultural production
- KUD activation plan for the processing of agricultural produces
- KUD activation plan for the distribution of agricultural produces and products
- Human resources enhancing plan required for the re-oriented KUD activities
- KUD activation plan for the establishment of rural credit system

3. Phase III

Implementation of a feasibility study in order to formulate the most appropriate plan of KUD activities in two model areas.

V. STUDY SCHEDULE

The Study will be carried out in accordance with the attached tentative schedule. (See ANNEX II)

VI. REPORTS

JICA shall prepare and submit the following reports in English to the Government of Indonesia.

1. Inception Report

Thirty (30) copies at the commencement of the Phase I field study.

2. Progress Report (1)

Thirty (30) copies at the end of the Phase I field study.

3. Interim Report (1)

Thirty (30) copies at the commencement of the Phase II field study.

4. Progress Report (2)

Thirty (30) copies at the end of the Phase II field study.

5. Interim Report (2)

Thirty (30) copies at the commencement of the Phase III field study.

6. Progress Report (3)

Thirty (30) copies at the end of the Phase III field study.

7. Draft Final Report

Thirty (30) copies after the Phase III study. The Government of Indonesia will provide JICA with its comments on the Draft Final Report within one (1) month after receipt of the Draft Final Report.

8. Final Report

Fifty (50) copies within two (2) months after the receipt of the Government of Indonesia's comments on the Draft Final Report.

VII. UNDERTAKING OF THE GOVERNMENT OF INDONESIA

1. To facilitate smooth conduct of the study, the Government of Indonesia shall take necessary measures :

1-1. to secure the safety of the Japanese study team,

1-2. to permit the members of the Japanese study team to enter, leave and sojourn in the Republic of Indonesia for the duration of their assignment therein, and exempt them from foreign registration requirements and consular fees,

1-3. to exempt the members of the Japanese study team from taxes, duties, fees and any other charges on equipment, machinery and other materials brought into the Republic of Indonesia for the conduct of the Study,

1-4. to exempt the members of the Japanese study team from income tax and charges of any kind imposed on or in connection with any emoluments or allowances paid to the members of the Japanese study team for their services in connection with the implementation of the Study,

1-5. to provide necessary facilities to the Japanese study team for the remittance as well as utilization of the funds introduced into the Republic of Indonesia from Japan in connection with the implementation of the Study,

1-6. to secure permission for entry into private properties or restricted areas for the implementation of the Study,

- 1-7. to secure permission for the Japanese study team to take all data and documents (including photographs and maps) related to the Study out of the Republic of Indonesia to Japan,
 - 1-8. to provide medical services as needed. Its expense will be chargeable on the members of the Japanese study team.
2. The Government of Indonesia shall bear claims, if any arises, against the members of the Japanese study team resulting from, occurring in the course of, or otherwise connected with, the discharge of their duties in the implementation of the Study, except when such claims arise from gross negligence or willful misconduct on the part of the members of the Japanese study team.
 3. Directorate General of Rural Cooperatives Development, Ministry of Cooperatives and Small Enterprises (hereinafter referred to as "DGRCD") shall act as counterpart agency to the Japanese study team and also as coordinating body in relation with other governmental and non-governmental organizations concerned for the smooth implementation of the Study.
 4. DGRCD shall, at its own expense, provide the Japanese study team with the following, in cooperation with other organizations concerned :
 - 4-1. available data and information related to the Study,
 - 4-2. counterpart personnel (tentatively 10 persons),
 - 4-3. suitable office space with necessary equipment and furniture in Jakarta and study sites, and
 - 4-4. credentials or identification cards.

VIII. UNDERTAKING OF JICA

For the implementation of the Study, JICA shall take the following measures :

1. to dispatch, at its own expense, study teams to the Republic of Indonesia, and
2. to pursue technology transfer to the Indonesian counterpart personnel in the course of the Study.

IX. CONSULTATION

JICA and DGRCD shall consult with each other in respect of any matter that may arise from or in connection with the Study.

6. The Experts of the Study Teams and a Plan of Their Working Schedule

The study team consists of following eleven experts. A plan of their working schedule are shown in the attached Diagram 2.1, the working Schedule.

Field	Name
Leader	Midori Matsuhira (Mr.) -External relation, internal adjustment
Sub Leader/ Management of Ag. Coops.	Toshio Shimizu (Mr.) -Group leader of co-operative management
Rural Society & Economy	Sudarsono Hajosukarto (Mr.) -Analysis between Repelita plan, local development plan and agricultural field and KUD , survey on rural social economic condition
Marketing, supply Activities of Ag. Coops.	Daman Prakash (Mr.) -KUD marketing & input activation plan
Development of Agriculture 1 <i>अपगत</i>	Jiro Hashiguchi (Mr.) -Group leader of agricultural development + <i>Post Harvest</i>
Development of Agriculture 2	Takeshi Saito (Mr.) -Analysis for KUD procesing activity
Credit Activities of Ag. Coops.	Mark Van Stynwik (Mr.) -KUD credit/saving activation plan
Activities Evaluation	Tetsuo Mizobe (Mr.) -Evaluation on business activity
Education of Ag. Coops.	Shigeri Fukamachi (Mr.) -KUD Human resource development plan
Design of facilities 1	Takehide Seki (Mr.) -Facility planning
Design of facilities 2	Riichiro Kitamura (Mr.) -Facility planning

June 18, 1996

DIRECTIONS OF KUD DEVELOPMENT (DRAFT) - revised -

1. General Direction of KUD Activities

- (a) Although there may be some ambiguity concerning characteristics of current KUD, there is a clear indication that most of the KUD members are farmers, and KUD's activities are now oriented for the development of agriculture. However, the Study Team understands that the current policy of the Government towards KUD is that their activities should cover entire village, as a whole, and it implies that non-farmer village dwellers interest should not be overlooked.
- (b) To make KUD's activities more attractive, it would be imperative that members needs have to be fully met by some of the remarkable and specific business activities. For that, KUD should provide more attractive investment opportunities.
- (c) Even though, KUD's main activities should be focussed on agriculture, other activities for non-farmer members should be promoted. These activities might include such social activities as running clinic, kindergarten, and also provision of daily necessities.

Therefore the Team considers that it would be most appropriate to define the general direction of KUD as to act as an Agro-based Industrial Cooperative which means that more emphasis should be placed on such activities as processing, manufacturing of farm products. Industrial means that membership of KUD should not be restricted to farmers, but all other village dwellers could be included, and KUD's activities should cover more wider area than a pure agricultural cooperative.

In addition to that, expansion and strengthening of business activities become a basic issue which contributes to increase of income of member and to activate the area covered by KUD. In order to facilitate the KUD activities, maximum use of guidance and consulting function of the secondary/tertiary federation, with strong conscious to foster value-addition of member's products and diversified business of KUD is anticipated. The federations should cooperate and strengthen mutual linkage with KUD. Based on the above-mentioned concept, the following directions are suggested to achieve these objectives:

2. Direction of Organization and Management

2-1 Recognition

First of all, one of the most important and basic components of organization and management of KUD is education.

Coopeative education has been developed satisfactorily thanks to the strenuous efforts exerted by the government. However, participation ratio by management and staff of KUD in these education programmes is not so remarkable.

Secondly, area covered by one KUD is comparatively large. Therefore, this particular point has to be duly taken into account regarding the organization and management issues.

2-2 Direction

2-2-1 Managerial and staff education must be focussed on the following points:

- 1) Strength planning function
- 2) Streamline the management including decision-making process.
- 3) Establish the more effective audit system

4) Promote internal checking system.

2-2-2 In order to meet the needs of inhabitants of larger areas, following points should be taken into consideration.

1) Establish closer contact with members

2) Reinforce the information and communication networks.

3. Direction of Marketing and Supply Business

3-1 Recognition

3-1-1 Since 1970, the government has been making every effort to attain self-sufficient capability of rice, and for this, providing farmers with chemical fertilizer. On top of that, the government promoted to introduce KUD processing facilities centering on the rice for national buffer stock. Thus, warehouses for fertilizer storage and rice milling units with drying floor have been introduced widely within the country. Since mid-1980, dairy farming through KUD, especially in high-and-cool area in Java, has been promoted.

3-1-2 The government has established its policies on diversification and value-addition of other agricultural and livestock products. However, much should be done for distribution and processing facilities and their networks by KUD. On top of this, there are few capable KUD managers who take care of the farm management guidance and run marketing of these products.

3-1-3 Agricultural materials such as farm machinery which are required in conformity with social and environmental changes are not widely supplied by KUD.

3-2 Direction

3-2-1 Selection of business strategy to meet diversification and value-addition of agricultural and livestock products

1. Promote distribution and processing of agricultural products through KUD, and establish business formula for new farm supply.
2. Promote planned production, and joint marketing through KUD by collection and analysis of market and new technology information together with educative farm guidance, and also by establishment of member's group.
3. Improve the existing facilities, and introduce new facilities, owned by KUD with capable employees trained or hired.

3-2-2 Improvement of Store(Shop) management formula and practical operation to meet the enhancement of living standard of the community.

As described earlier, KUD activities cover non-farmer members.

Therefore, the provision of daily necessities through distribution function of KIOSK of KUD is of vital importance.

4 Direction of Credit Business

4-1 Recognition

Not so many KUD are now actively engaged in credit business activities.

Management of credit activities, if any, is generally weak.

Capital base of KUD is also weak in general, and credit business of KUD is heavily dependent on formal loans which is provided by the governmental financial institutions. Record of recovery of loan by KUD can not be observed as satisfactory.

4-2 Direction

4-2-1 Strengthen the capital base of KUD by promoting member's local savings and increasing owned capital from member's marketable surplus.

4-2-2 Reinforce the credit business administration including loan management and recovery of loan.

4-2-3 Establish more closer relations with members, members' group, and other rural financial institutions such as BRI for smooth credit operation in general and meeting longer term credit needs which become more important for development in particular.

5. Direction of Human Resources Development and Education Activities

5-1 Recognition

5-1-1 The present training facilities owned by the government and cooperative sector are not able to facilitate a large number of the target group.

5-1-2 Officials and employees of KUD have a very few opportunity to participate in training programmes of provincial training center owned by the provincial office of the Ministry of Cooperatives and Small Enterprises.

5-1-3 Fund for education owned by KUD is not sufficient to conduct training for officials/employees and members.

5-2 Direction

5-2-1 Strengthen the Ministry of Cooperatives and Small Enterprises support to managerial education/training for KUD.

5-2-2 Strengthen cooperative movement in supporting education/training of KUD employee and members with special emphasis on technical education/training.

5-2-3 Recruit capable employees by securing salaries

6. Direction of Women's Participation in KUD organizational structure

6-1 Recognition

6-1-1 Participation of women in KUD in general is still low in terms of such key persons as directors and managers

6-1-2 Very few KUD has a women's association or women's group

6-2 Direction

6-2-1 Establish a section in charge of women in KUD

6-2-2 Enhance women's participation in KUD activities by inviting them as members of KUD

6-2-3 Organizing women's group in KUD centering on such activities as savings promotion, joint-marketing and education.

June 13, 1996,

Draft Policies on Phase II Field Survey - revised -

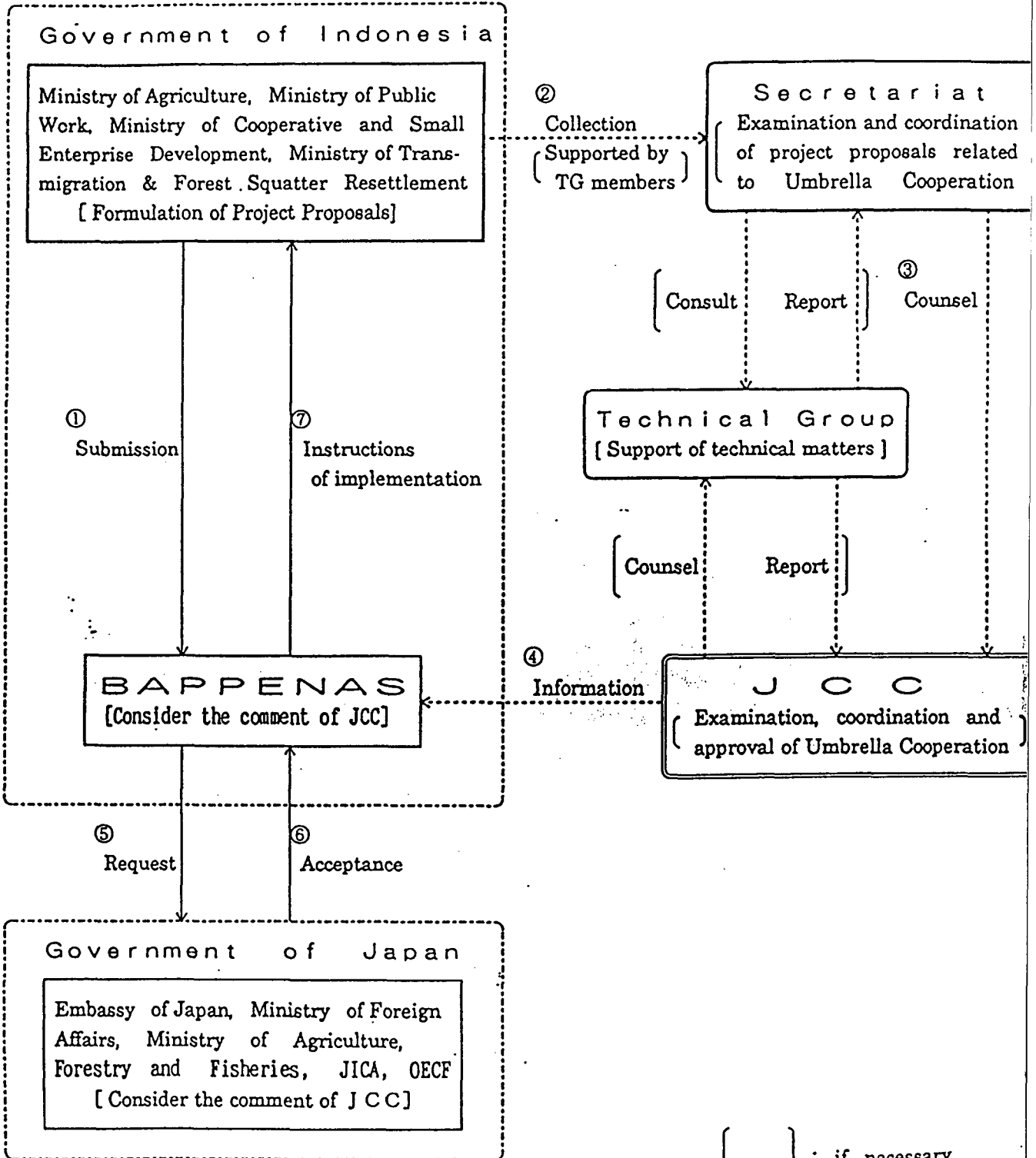
1. When drafting the Basic Plan, due care should be taken concerning peculiar aspects of each province, and applicable methods for integration of KUD 's activities.

2. Selection of KUD to be surveyed
In principle, 5 KUD will be selected in each province. In order to meet the requirements prescribed in the Inception Report, agro-ecosystem and developmental stage of KUD are to be the basic criteria for selection.

3. Survey directly conducted by the Team
During the field survey, some counterparts will accompany the Team for smooth and effective implementation of the Study. Technical transfer will also be carried out by the Team to them during the period.

4. Commissioned Field Survey
 - a. The survey will be commissioned to such third parties as University of Indonesia and Bogor Agricultural Institute.
 - b. Farm household survey will be conducted in 3 KUD in each province, and these KUD should be selected from among 5 KUD mentioned 2 above.
 - c. Survey on village social/economic conditions, agricultural production, and processing and distribution of agricultural and stock-breeding products will be conducted in 7 provinces and also in 2 Kabupatens in 2 provinces, i.e. Sidrap and Bandung.

Flow of Project Proposals in the Third Umbrella Cooperation



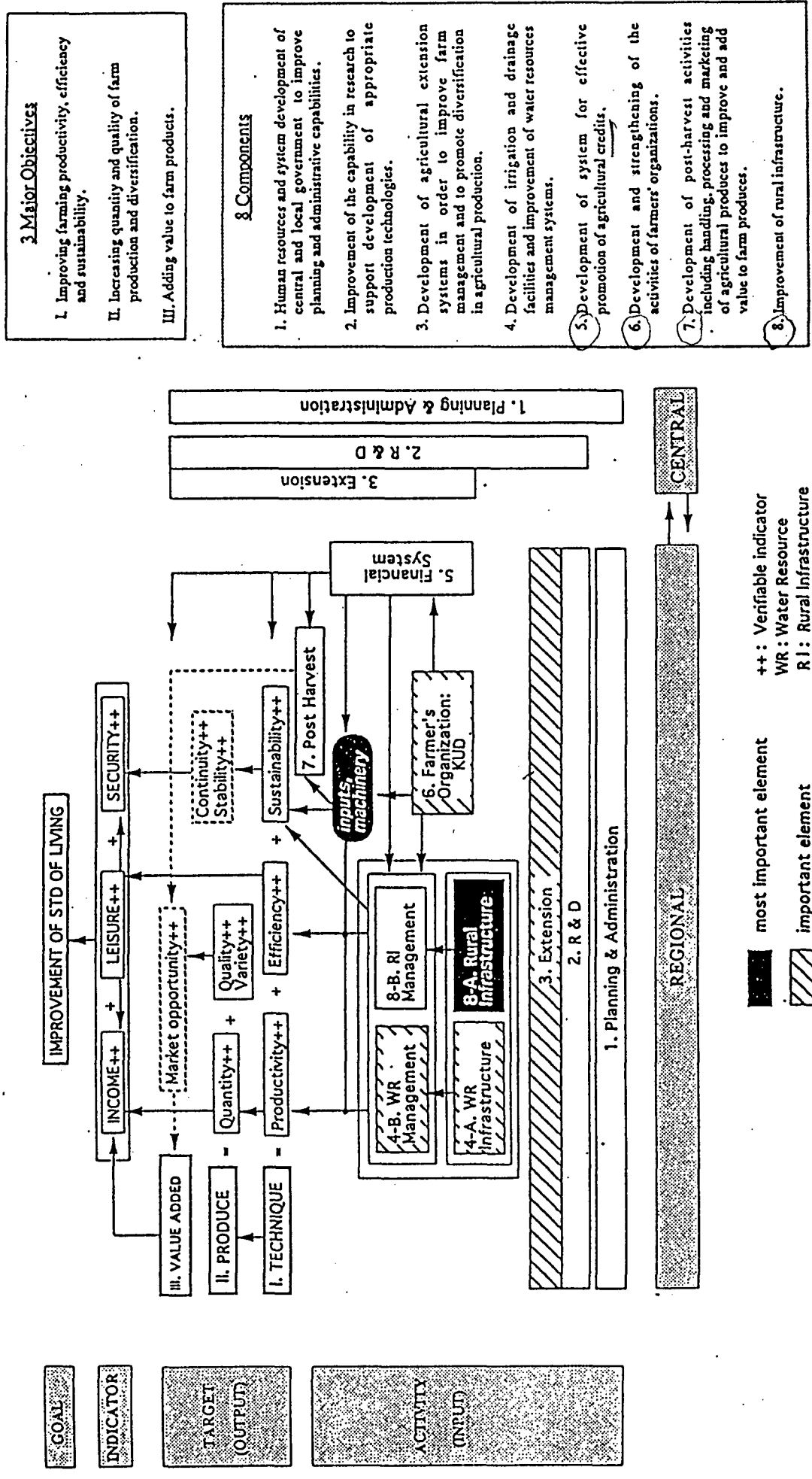


Fig. 4.3.1 AGRICULTURAL SECTOR: THE III UMBRELLA COOPERATION
 (1/4) Basic Diagram for Orienting Projects in '1-3-8' Goal-Target-Activity Matrix
 for South Sulawesi Province (Irrigated Area)

- 3 Major Objectives**
- I. Improving farming productivity, efficiency and sustainability.
 - II. Increasing quantity and quality of farm production and diversification.
 - III. Adding value to farm products.
- 8 Components**
1. Human resources and system development of central and local government to improve planning and administrative capabilities.
 2. Improvement of the capability in research to support development of appropriate production technologies.
 3. Development of agricultural extension systems in order to improve farm management and to promote diversification in agricultural production.
 4. Development of irrigation and drainage facilities and improvement of water resources management systems.
 5. Development of system for effective promotion of agricultural credits.
 6. Development and strengthening of the activities of farmers' organizations.
 7. Development of post-harvest activities including handling, processing and marketing of agricultural products to improve and add value to farm products.
 8. Improvement of rural infrastructure.

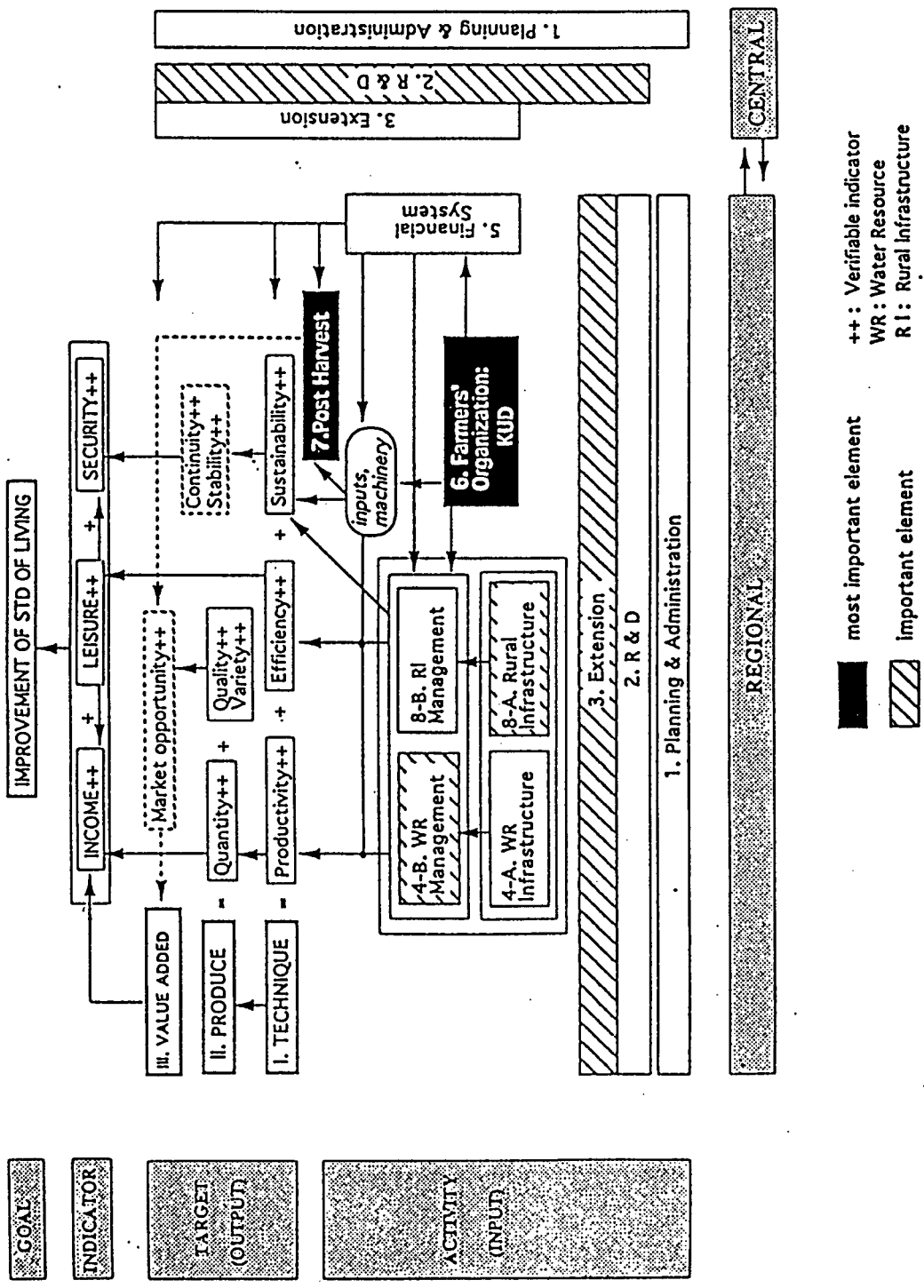


Fig. 4.3.1 AGRICULTURAL SECTOR: THE III UMBRELLA COOPERATION
 (2/4) Basic Diagram for Orienting Projects in '1-3-8' Goal-Target-Activity Matrix
 for West Java Province (Highland Area)

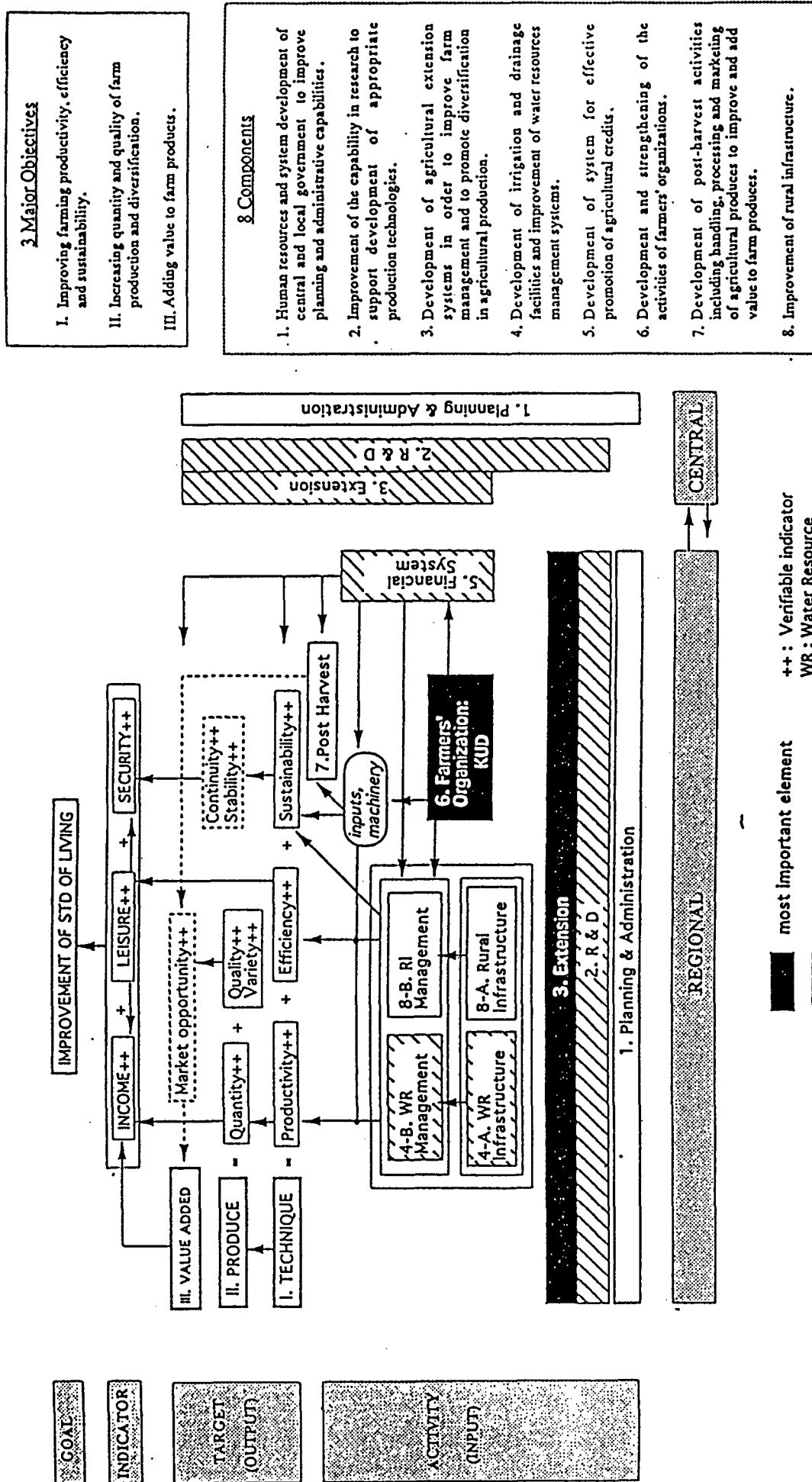


Fig. 4.3.1 AGRICULTURAL SECTOR: THE UMBRELLA COOPERATION
 (3/4) Basic Diagram for Orienting Projects in '1-3-8' Goal-Target-Activity Matrix
 for West Nusa Tenggara Province (Lowland(Rain-fed) Area)

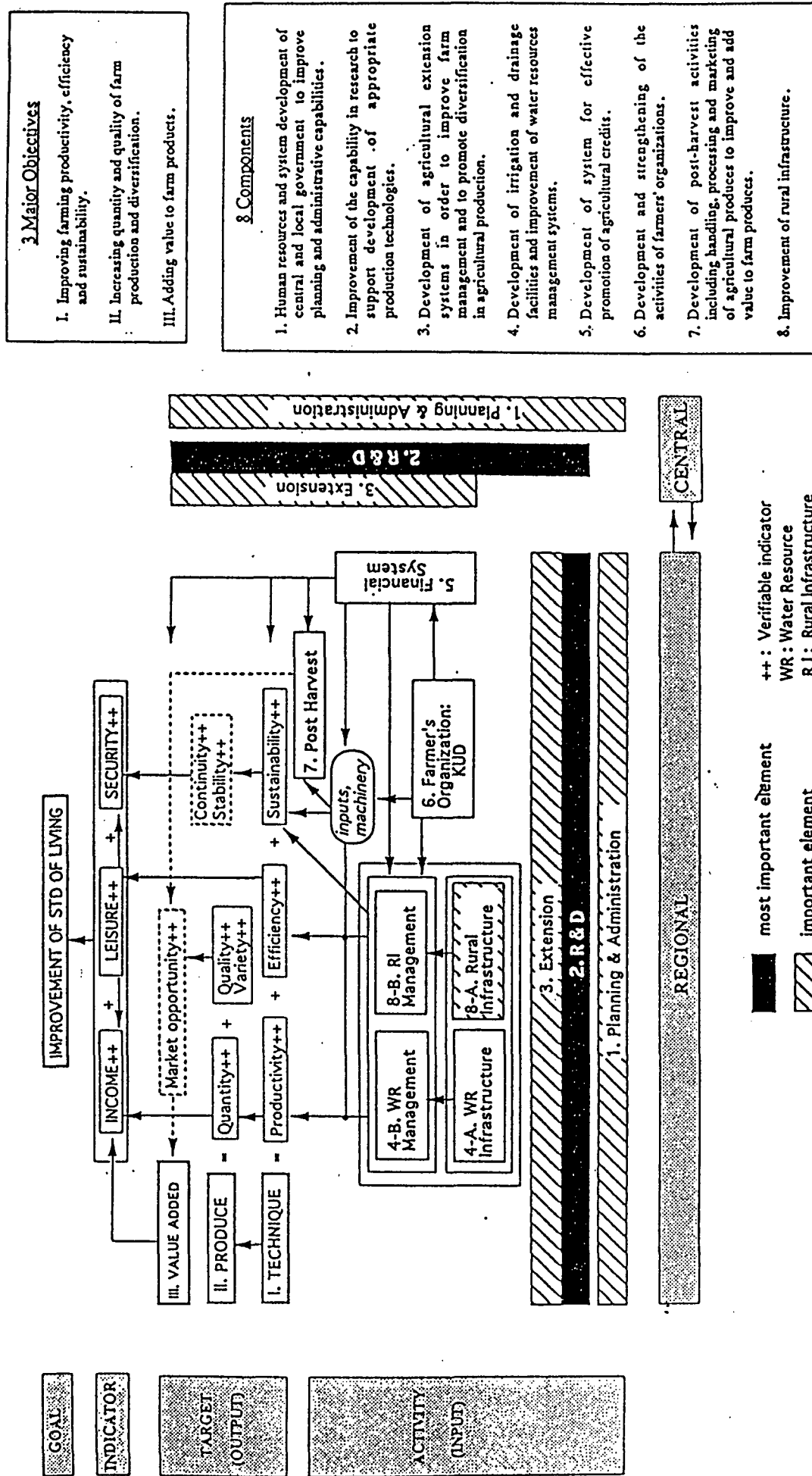


Fig. 4.3.1 AGRICULTURAL SECTOR: THE III UMBRELLA COOPERATION
 (4/4) Basic Diagram for Orienting Projects in '1-3-8' Goal-Target-Activity Matrix
 for South Kalimantan Province (Swamp Area)

The main topic for brainstorming : how to make our projects pass smoothly through the gate to be implemented

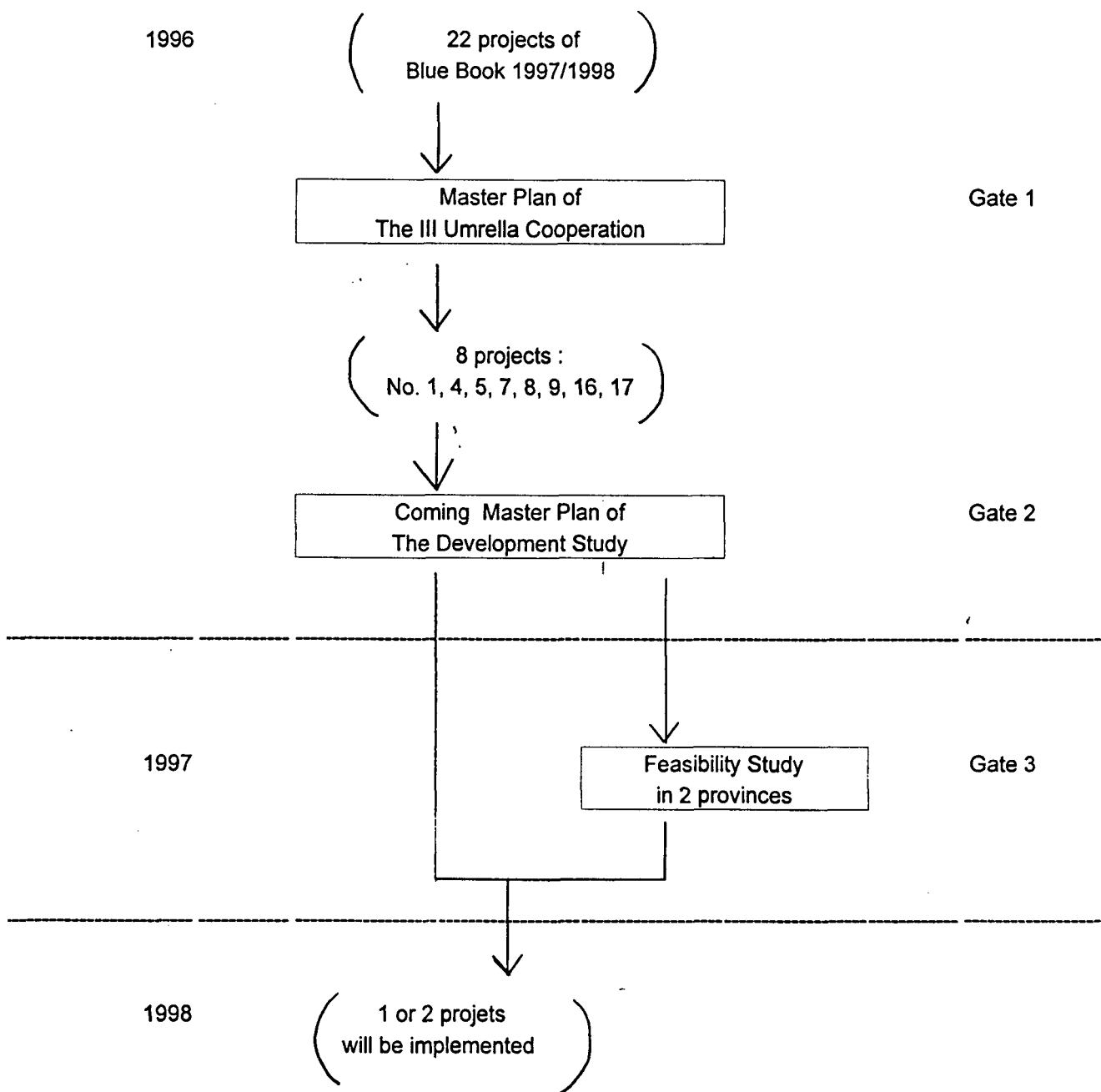


Table 2.1.1 General Conditions of Study Area

Study Area		South Sulawesi	West Java	West Nusa Tenggara	South Kalimantan	Indonesia	Remarks	
Agro-ecosystem		Irrigated Area	Highland Area	Lowland (rainfed) Area	Swamp Area		at provincial capital city	
Natural	Latitude	5° - S	7° - S	8° - S	3° - S			
	Provincial Area (km ²)	72,781	46,300	20,177	37,600	1,919,317		
	National weight (%)	3.79%	2.41%	1.05%	1.96%	100.00%		
	Annual Rainfall (mm)	2,829	2,024	1,813	2,365			
	Annual Mean Temperature (°C)	27.4	20.1	26.8	27.7			
	Annual Max. Temperature (°C)	32.9	28.8	31.7	33.3			
Annual Min. Temperature (°C)	21.5	17.1	20.8	21.8				
Land Use (ha)	Paddy	605,292	1,175,550	199,872	475,847	8,393,290	in 1992	
	Arable Land							
	Upland Crop	659,711	1,023,416	219,040	240,445	11,820,180		
	Estate Farm	406,347	380,426	14,854	243,451	11,451,843		
	Non cultivated	160,960	57,202	40,713	223,086	7,677,386		
	Pasture	351,223	40,448	32,482	136,812	2,273,793		
	Forest	521,344	244,532	272,367	252,313	9,519,888		
	Fish pond (blackish water)	87,970	28,863	5,868	5,672	304,623		
Fish pond (fresh water)	19,885	31,116	718	9,374	155,216			
Residential	166,071	438,249	27,581	129,928	5,134,121			
Population Labour Forces	Total Population (thousand)	6,982	35,384	3,370	2,598	179,379	in 1990	
	National weight (%)	3.89%	19.73%	1.88%	1.45%	100.00%		
	Population Density per km ²	90	765	167	69	93	in 1990	
	Annual Growth Rate	1.42	2.57	2.15	2.65	1.98	average 1980-1990	
	Average Household Population	5.0	4.3	4.4	4.4	4.5	in 1990	
	Labour Forces (thousand)	5,412	27,796	2,513	2,057	140,774	in 1992	
	Employment Ratio	96.41%	96.29%	99.12%	97.67%	97.29%		
	Economic Active Population	48.52%	51.91%	62.54%	61.19%	57.33%		
	School Participation	21.07%	20.28%	15.84%	20.03%	20.31%		
	Labour Forces by Sector (thousand)	Agriculture, Forestry & Fishery	1,607.7	5,760.0	963.5	711.8	42,153.2	
		Mining	7.7	78.2	13.1	10.0	524.9	
		Manufacturing	141.3	1,968.2	122.6	89.3	8,255.5	
		Electricity, Gas & Water Supply	3.3	36.0	1.4	3.0	162.4	
Construction		45.2	568.6	38.3	31.2	2,514.7		
Commerce		259.2	2,665.6	218.7	172.9	11,746.8		
Transportation & Communication		67.0	660.3	53.7	42.4	2,573.8		
Financing & Service		9.6	117.8	5.1	5.2	574.6		
Civil Servant		389.0	2,027.2	137.9	163.3	9,911.6		
Others	1.4	11.0	3.7	0.0	100.9			
GDP	GDP (billion Rp.)	5,283	36,847	1,573	2,737	227,502	in 1991	
	GDP per Capita (thousand Rp.)	757	1,041	467	1,054	1,268		
	GDP Provincial Share	2.32%	16.20%	0.69%	1.20%	100.00%		
	Growth Rate	14.67%	18.58%	15.33%	17.20%	17.25%	average 1986-1991	
	Sector Share	Agriculture	44.20%	24.50%	47.80%	26.20%	25.90%	in 1990
Industry		7.70%	23.50%	4.50%	19.40%	19.70%		
Service		48.10%	52.00%	47.70%	54.40%	54.40%		
Road Condition	Provincial Road Length (km)	1,690	2,028	670	709	38,099	in 1990	
	Density (km/1000km ²)	23.2	43.8	33.2	18.8	19.9		
	Kabupaten Road Length (km)	19,923	17,946	3,355	4,834	225,611		
	Density (km/1000km ²)	273.6	387.6	166.3	128.4	117.5		
Main Agricultural Production	Paddy Rice (1000t)	3,438	10,406	1,107	964	42,413	in 1992	
	Upland Rice (1000t)	35	457	33	89	2,826		
	Palawija	Maize (1000t)	592	1,992	38	23	7,995	
		Cassava (1000t)	560	2,153	78	102	16,516	
		Sweet Potato (1000t)	79	483	55	18	2,171	
		Peanut (1000t)	62	140	26	16	739	
		Soy Bean (1000t)	88	298	121	6	1870	
	Livestock	Milch Cow (head)	0	113,803	0	79	350,729	in 1993
		Beef Cattle (head)	1,245,595	184,363	425,246	135,616	11,355,878	
		Buffalo (head)	544,655	529,108	214,008	49,669	3,369,671	
		Pig (head)	408,325	49,348	24,087	12,922	8,634,831	
		Goat (head)	653,498	1,902,353	266,854	58,846	11,501,847	
		Sheep (head)	11,898	3,339,332	37,424	3,487	6,697,137	
Village Hen (head)		18,181,270	32,499,328	4,525,400	4,512,092	236,602,904		
Egg hen (head)		2,215,480	12,165,861	179,601	432,688	49,401,786		
Broiler (head)		2,292,853	17,555,620	0	949,641	57,089,692		
Duck (head)	3,847,451	3,463,529	58,239	2,769,079	27,656,644			
Admi-ni-stration	Number of Region	21	20	6	9	243	in 1993	
	Number of City	2	5	1	1	60		
	Number of District	185	526	59	109	3,836		
	Number of Village	2,617	7,104	583	2,168	65,554		
Welfare	Rate of Literacy (%)	81.8	87.3	69.7	89.8	84.0	in 1993	
	Infant Mortalization (head)	56.5	71.1	109.4	76.0	58.1	per 1000infant	
	Average Span of Life (age)	63.1	59.8	52.0	58.7	62.7		

Source: Statistical Yearbook of Indonesia 1990~1994

Fig. 5.3.1 Implementation Schedule of Projects under the Third Umbrella Cooperation (draft)

No.	Project Title	Agency	Level	1995												1996												1997												1998												1999												2000												2001											
				1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
	Signing of Record of Discussion between Japanese and Indonesian Government The Sixth 3-Year Development Plan The Seventh 5-Year Development Plan Scope of Works for the Study on the Third Umbrella Cooperation Study on the Third Umbrella Cooperation (Program Formulation Study) by JICA Annual Appraisal of JICA (expected) Annual Appraisal of OECF (expected) Joint Coordinating Committee of Third Umbrella Cooperation (expected) Program Monitoring (expected) Program Evaluation (expected)			[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
1	Improvement of Food Crop Genetic Resources (related to ATA-378)	MOA	Central	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
2	Biotechnology Research and Application for Sustainable Agriculture (for Cereals, Species and Medicine Crops, Food Crops, Fruits Crops)	MOA	Central	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
3	Feasibility Study for Development of Qualified Horticulture at Farm Level	MOA	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
4	Feasibility Study for Income Generating Project for Marginal Farmers and Landless (FAC)	MOA	Central	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
7	Technical Assistance for Development of Upland Areas through Improvement of Water Management	MOA	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
8	Horticulture Development Project in Upland Area	MOA	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
12	Feasibility Study for Integrated Agricultural Development in IDT Village	MOA	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
23	Feasibility Study for Small Scale Irrigation for Upland Project	MOA	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
24	Research and Development of Appropriate Agricultural Machinery for Improving Productivity Efficiency and Value added of Agricultural Product	MOA	Central	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
26	Promotion of Postharvest Processing of Agriculture Products Base on the Consumer's Needs	MOA	Central	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
28	Agricultural Teacher and Youth Farmer Training Project	MOA	Central	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
29	Study on Development of Standardization, Certification and Accreditation System in Agricultural Post Harvest	MOA	Central	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
31	The Improvement of Rice Post Harvest and Marketing in Farmer Group	MOA	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
32	Improvement of Pesticide Laboratory for Controlling Residue on Fruits and Vegetables	MOA	Central	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
33	The Study on Integrated Agricultural and Rural Development in Tidal Swamp Area	MOA	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
37	Beef Cattle Development Project	MOA	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
38	Feasibility Study for Animal Quarantine Systems	MOA	Central	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
39	The Establishment of Vaccine Production in Pharmaceutical Veterinary Center	MOA	Central	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
40	The Establishment of Design and Hygienic Standards of Slaughterhouse in Indonesia	MOA	Central	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
42	Improvement DIC and Animal Health Post Capability	MOA	Central	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
43	West Java Highland Integrated Agriculture Development Project	MOA	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
44	Integrated Farming System on Swampy Areas in South Kalimantan	MOA	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
45	Conjunctive Use of Surface and Ground Water in Water-Scarce Irrigation Areas and Upland Rainfed Area	MOPW	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
47	Plan of Water Users' Association (WUA)	MOPW	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
48	Study for Improvement of Information Communication System in Irrigation Sector in the Republic Indonesia	MOPW	Central	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
49	Feasibility Study of an Application of Sprinkler, Drip and Furrow Irrigation System to Support Small Holder Horticulture Farmers	MOPW	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
52	Review of Master Plan and Feasibility Study for Water Resources Development in Central Part of South Sulawesi for Future Development	MOPW	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
54	Provincial Irrigated Agricultural Development II	MOPW	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
55	Improvement on Research Capability of the Institute for Water Resources Development	MOPW	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
56	Construction of Sprinkler Irrigation System	MOPW	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
57	Construction of Farm Road	MOPW	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
59	Establishment of the Lowlands Research Center	MOPW	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
60	Rijm Kanan Irrigation Project (Stage II)	MOPW	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
62	Establishment of Data Base for Rural Cooperative Development	MOPW	Central	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
64	Basic Design Study for Integrated Development Project for Rural Cooperatives	MOPW	Central	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
66	Extension and Training of Women's Groups in Cooperative Development	MOPW	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
67	Technical Assistance for Implementing Rural Cooperative Credit Development	MOPW	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
69	Establishment of Horticulture Market Center for SMEs	MOPW	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
70	Expansion of Project for Training Center (BALATRANS) in Transmigration Sending Areas and Receiving Areas	MOTFSR	Central	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
71	Establishment of Central Training Center for Transmigration in Yogyakarta	MOTFSR	Central	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
72	Strengthening of Data Processing and Mapping System for Development of Transmigration Settlement	MOTFSR	Central	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
73	Master Plan Study of Integrated Regional Development in Kalimantan Central Area	MOTFSR	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
74	Integrated Rural Settlement Development Program for Transmigration area (IRSDP)	MOTFSR	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
77	Pilot Project of the Agroforestry Model in the Balang Landa	MOTFSR	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
80	Transmigration Road Net Work	MOTFSR	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
82	Exploitation of Water Resources and Improvement of Water Supply for Domestic use in Transmigration Settlement Areas	MOTFSR	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											
83	Rehabilitation and Upgrading of Settlement Roads, Bridges and Culverts in Transmigration Areas	MOTFSR	Regional	[Gantt chart for 1995: Dec 1-12]												[Gantt chart for 1996: Dec 1-12]												[Gantt chart for 1997: Dec 1-12]												[Gantt chart for 1998: Dec 1-12]												[Gantt chart for 1999: Dec 1-12]												[Gantt chart for 2000: Dec 1-12]												[Gantt chart for 2001: Dec 1-12]											

OUTLINE
OF
THE THIRD UMBRELLA COOPERATION
FOR
INTEGRATED AGRICULTURAL & RURAL DEVELOPMENT
IN THE REPUBLIC OF INDONESIA



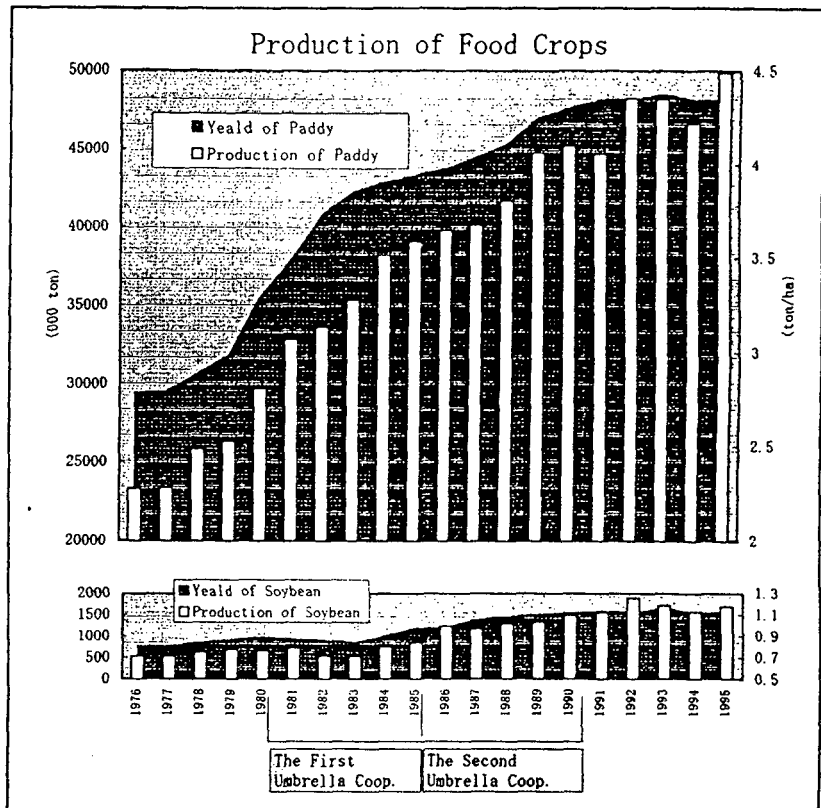
SECRETARIAT OF THE UMBRELLA COOPERATION

The Umbrella Cooperation

The Umbrella Cooperation is a comprehensive method of implementing cooperation in order to accomplish a large scale national goal which can not be achieved by an individual project. In the Umbrella Cooperation, a variety of technical cooperation types (development survey, project type cooperation, dispatch of experts, acceptance of trainees) and financial assistance (grant aid, loan assistance) will be collaborated with each other and implemented with a logically organized sequence so that such a goal can be accomplished effectively and efficiently.

Essentially, the Umbrella Cooperation is a general term for all of the projects implemented to accomplish a big goal. Therefore, it includes not only projects cooperated with Japan, but also the projects financed by Indonesia's own budget, and the projects cooperated with other countries.

Up to the present day, the Umbrella Cooperation has been applied just on the agricultural sector. Its first stage (year 1981 to 1985) was executed for the purpose of increasing rice production. Also its second stage (year 1986 to 1990) was executed for the purpose of increasing both rice and palawija production. In result, the first stage of the cooperation could contribute to the great success of the self-sufficiency on rice in 1984. Also, the second stage of the cooperation could contribute to the maintenance of self-sufficiency on rice and the increment of other food crops (palawija) production such as soybean, as it is shown in the right-hand figure.



	The First Umbrella Cooperation	The Second Umbrella Cooperation
Goal	To increase rice production	To increase rice and palawija production
Period	1981 - 1985	1986 - 1990
Target crops	rice	rice, soy beans, potato
Fields of cooperation	<ol style="list-style-type: none"> 1. Multiplication and distribution of improved seeds. 2. Strengthening of crop protection. 3. Regional application trial and demonstration of agricultural technique. 4. Irrigation and water management. 5. Improvement of post harvest treatment and processing. 	<ol style="list-style-type: none"> 1. Multiplication and distribution of improved seeds. 2. Strengthening of crop protection. 3. Regional application trial and demonstration of agricultural technique. 4. Irrigation and water management. 5. Improvement of post harvest treatment and processing. 6. Development of appropriate agricultural machinery.
Results	The rise of rice self-sufficiency percentage (to reach full self-sufficiency on rice in 1984),	The maintenance of self-sufficiency on rice and the increment of soybean and potato production. The formulation of nation-wide pest and disease forecasting and control system.

What is the Third Umbrella Cooperation?

Background and purposes

Through a variety of efforts of centering the Umbrella Cooperation until now, such as development of irrigation facilities, distribution of improved seed, and improvement of cultivation technique, the production of rice and palawija has been steadily increased.

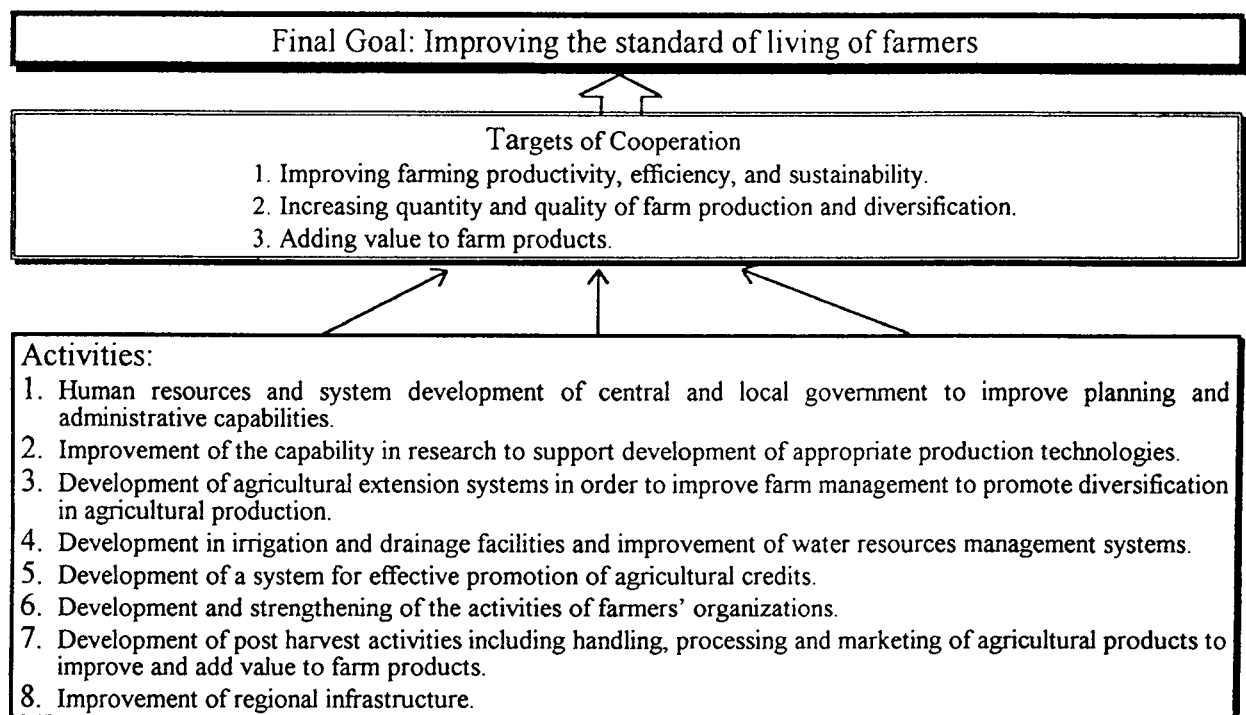
On the other hand, the widening gap of productivity between agricultural sector and industrial sector, and also the widening gap of income between urban and rural areas, become a huge problem in efforts to alleviate poverty and sustain agricultural development.

Therefore, improving the standard of living of the farmers, namely increasing the income of farmers in the rural areas who occupy the large part of the people suffering under the poverty line should be targeted

To increase the farmers' income, it is absolutely necessary to take serious efforts, such as improvement of productivity on centering rice and parawija, increase of the production on fruits, vegetables, daily products, in response to recent trend of demand, and improvement of quality and adding the value to agricultural products in response to recent maturity of market.

Based on this background, Indonesian and Japanese governments in October 1995 agreed to start the Third Umbrella Cooperation with the purpose of improving the standard of living of farmers through increasing their income by promoting the integrated agriculture and rural development.

Targets and Activities of The Third Umbrella Cooperation



Methodology of the Umbrella Cooperation

Composition of the Projects

For the purpose of strategic access to the global goal, projects under the Umbrella Cooperation are composed of the projects carried out in central level (Central Projects) and the ones in the regional level (Regional Projects). Both Central Projects and Regional Projects will be implemented in a comprehensive manner by organizing efficient combination with each other.

Central Projects are the projects to be implemented in the central level with a nation-wide goal, such as development of human resources for agricultural policy making, encouraging research and development of basic technologies, etc.

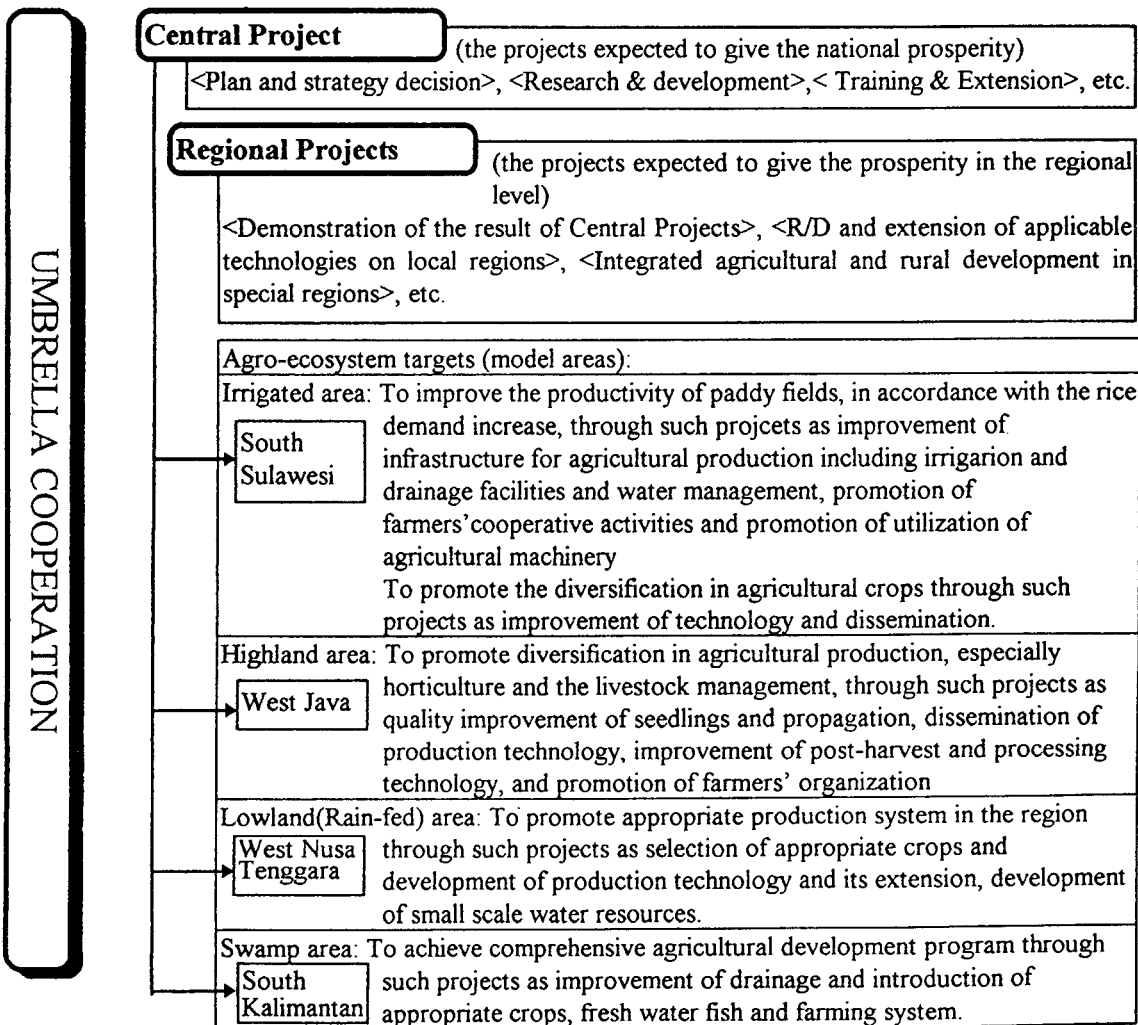
Regional Projects are the projects to be implemented in the regional level in accordance with the needs of each model area, such as development and extension of appropriate technology applied to the area, improving agricultural infrastructure, etc.

Some on-going projects are defined as to be the projects under the Umbrella Cooperation as far as they can share the same global goal. The Potato Seed Multiplication and Training Project assigned to the Central Project, Small Scale Irrigation Management Project (SSIMP) assigned to the Regional Project in West Nusa Tenggara, etc. may be good example for this.

Concept of agro-ecosystems and model areas.

Since Indonesia has a spacious geographical land with very diverse natural conditions in each region, the appropriate agricultural style and the methodology of the development must be different respectively. Acknowledging this fact, undermentioned four types of agro-ecosystems (farming condition classified by the whole aspects of natural, social, and economical conditions) are highlighted, in terms of their agricultural development potential and necessity of development.

Also, for the purpose of effective and efficient promotion of the cooperation under a limitation of financial and human resources, four target regions representing foregoing each agro-ecosystem are selected In a provincial level as models of agricultural development and the projects under the cooperation would be concentrated to implement in these four model areas.



Duration of The Third Umbrella Cooperation

The whole execution period of this cooperation is five years after the formal execution of R/D (October 1995). However, any projects which start and not finish in the five years period will be still continued as the projects of the Umbrella Cooperation by the end of the projects.

Question and Answer (Q & A):

Q: Why is this cooperation called the “Umbrella”?

A: Just as it is written in this pamphlet, the Umbrella Cooperation is a special method of cooperating in which a variety of technical and financial assistance will be combined efficiently and implemented comprehensively under a close relationship among implementing agencies, in order to achieve a large scale national goal which can not be done through a single project. Because of comprehensive approach to integrate the various scheme of the cooperation in order to maximize the result under one “umbrella”, this method is called the Umbrella cooperation.

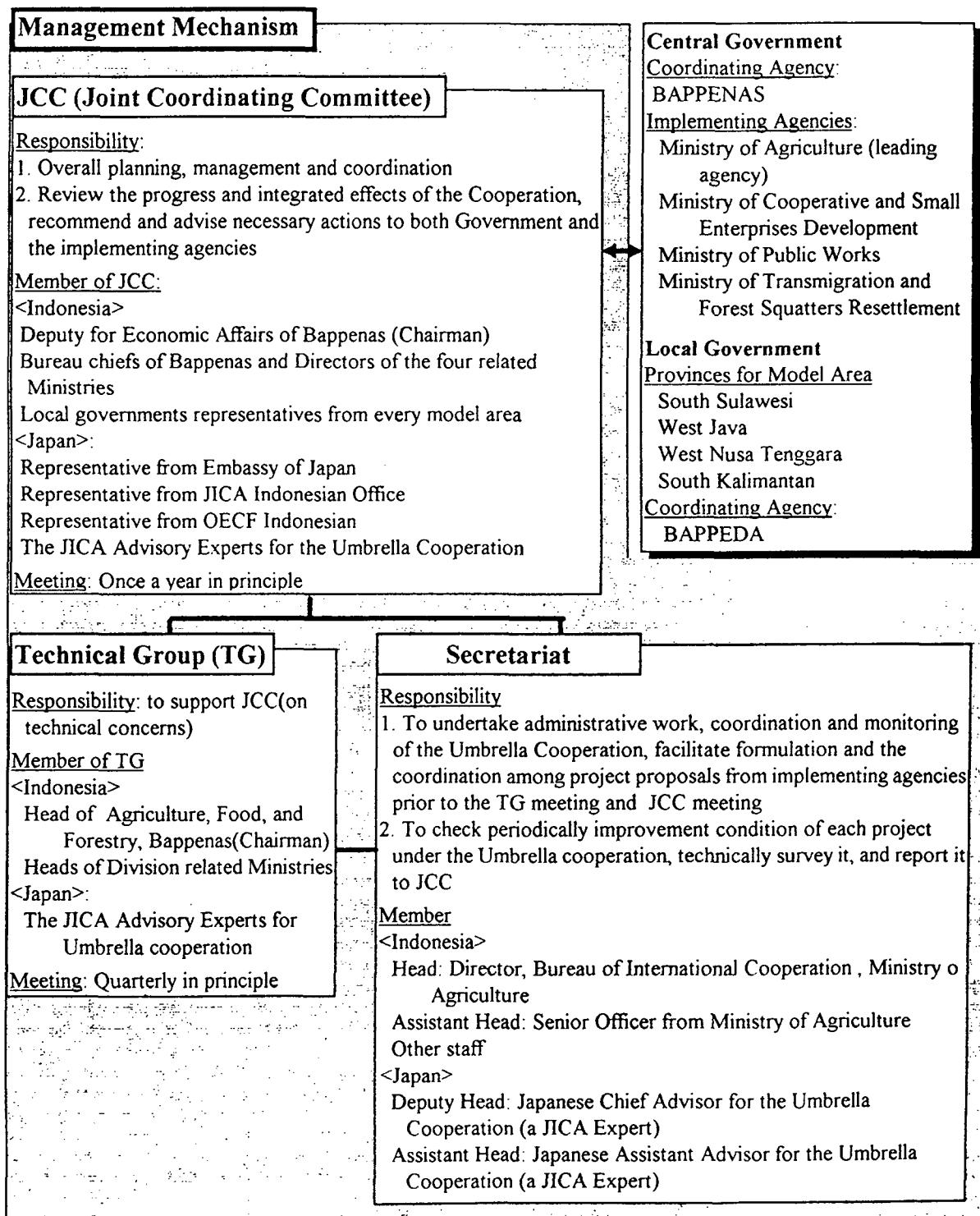
Q: How are related agencies other than the four Ministries involved? Furthermore, is the Umbrella Cooperation conducted by just the cooperation between Indonesia and Japan?

A: As the Umbrella Cooperation focused on aspect of the development of agricultural and rural areas, the four Ministries are picked up as the implementing agencies of the projects under the Cooperation. However, if necessary, it would be expected to develop close cooperation with other agencies related to the Cooperation, not only in the central level, but also in the regional level, such as Ministry of Trade and Industries which controls production of agricultural inputs such as fertilizer and pesticides, Ministry of Home Affairs which manages agricultural extension workers (PPL).
The Third Umbrella Cooperation has wider range of objectives compared with the First and Second Umbrella Cooperation, therefore, it is necessary to implement various and many projects in an integrated and systematic manner. Although the Third Umbrella Cooperation is conducted based on the agreement of both Japanese Government and Indonesian Government, it is obvious that the Japanese Government could not implement all of projects regarded to be necessary to implement. In this context, Indonesian side is strongly expected to develop the necessary projects through the measures of own budgets and the cooperation with other countries in line with the concept of the “Umbrella”.

Institutional Framework for Execution

The Indonesian implementing agencies of the Umbrella Cooperation include Ministry of Agriculture, Ministry of Cooperative Small Enterprise Development, Ministry of Public Works, Ministry of Transmigration & Forest Squatter Resettlement, and the local governments of the Model Areas. Meanwhile, BAPPENAS is expected to take the responsibility of coordinating among concerned governmental agencies and private sectors if necessary.

In order to realize the close collaboration among agencies concerned and also among projects, Joint Coordinating Committee (JCC), Technical Group (TG) and Secretariat are organized as the management mechanism which consists of representatives from both Indonesian side and Japanese side as follows.



Q: Is the implementation of projects under the Umbrella Cooperation only limited to four model areas (provinces)? Also, During the period of the Umbrella Cooperation, does Japan refrain from assistance to the provinces other than these four model areas?

A: Projects on regional levels under the Third Umbrella Cooperation will be implemented in the selected four provinces representing Indonesian agro-ecosystems (regional classification considering natural, social, economical and other conditions) . Therefore it is decided to choose to run the projects in the model areas' corresponding agro-ecosystem regions, each in one province [highland area: West Java Province, lowland (rain-fed) area: West Nusa Tenggara Province, irrigation area: South Sulawesi Province, swamp area: South Kalimantan Province]. This is based on the perspective that these four agro-ecosystems cover almost all regions with high potential of agricultural development and its urgent necessities. Also, by choosing the model areas effectiveness and efficiency of the cooperation will be promoted within the limited capital and man power. As to other provinces, good results in the four model areas are expected to affect and be transferred to them.

While the cooperation related to the agriculture and rural development in Indonesia by Japan should be promoted, mainly the Umbrella Cooperation, this does not mean the rejection of other cooperation which is not accommodated under the Umbrella Cooperation. Therefore, proposals for projects targeting an area which is not included in model areas can be submitted to the Japanese Government as a general proposal independent from the Umbrella Cooperation. However, due to limitation of the budget and man-power of Japan, it has less priority compared with proposals under the Umbrella Cooperation.

Q: What institutional arrangements are prepared in the model areas?

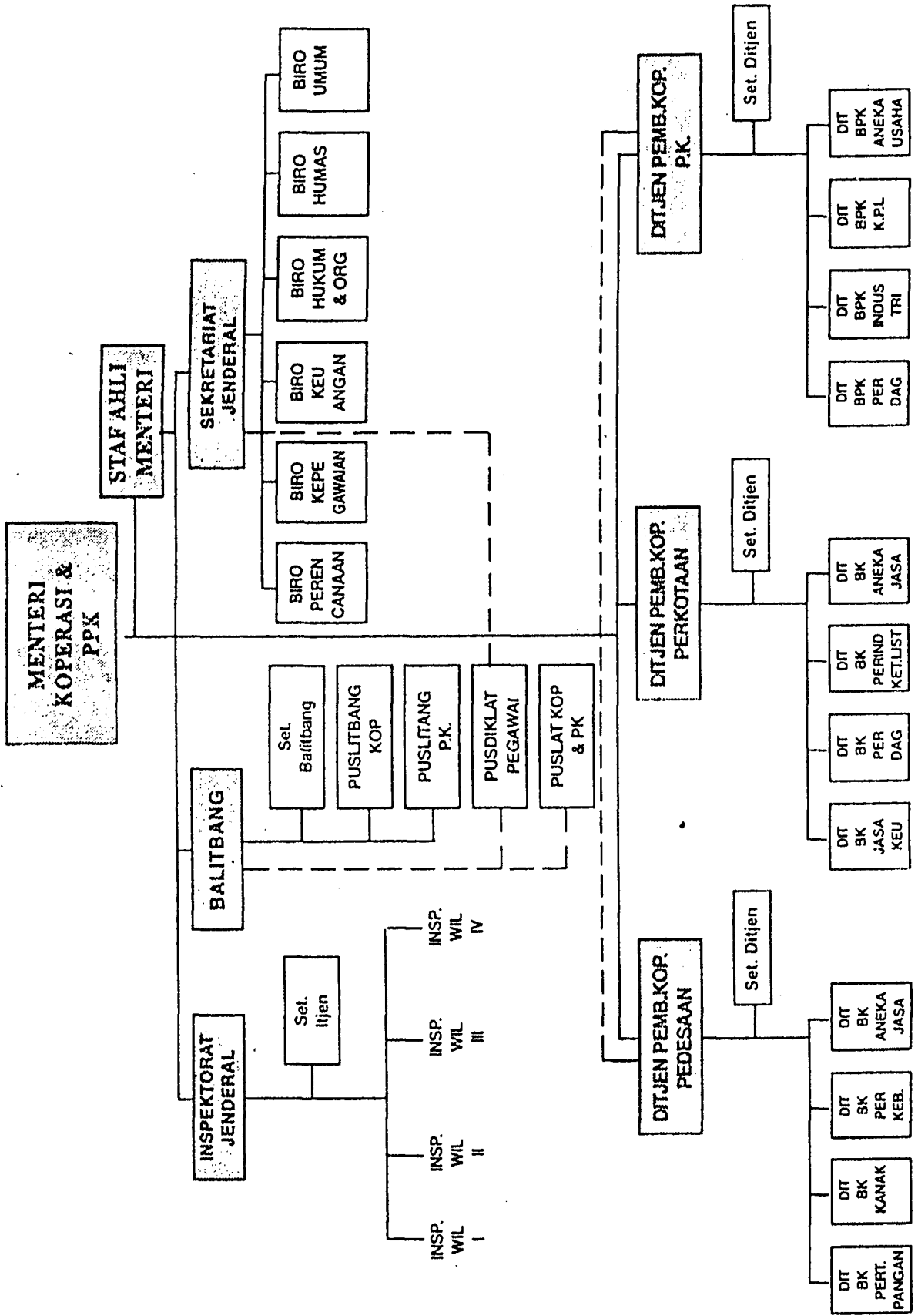
A: To implement the Umbrella Cooperation smoothly, Joint Coordinating Committee (JCC) is formed on the central level, composed of representatives of related Japanese institutions located in Indonesia and Indonesian agencies concerned. It will discuss the subject matters about the cooperation. Technical Group (TG) is formed to assist JCC on technical aspects. Secretariat is also formed to be responsible for preparation of JCC or TG meetings and also for communication, coordination and general affairs.

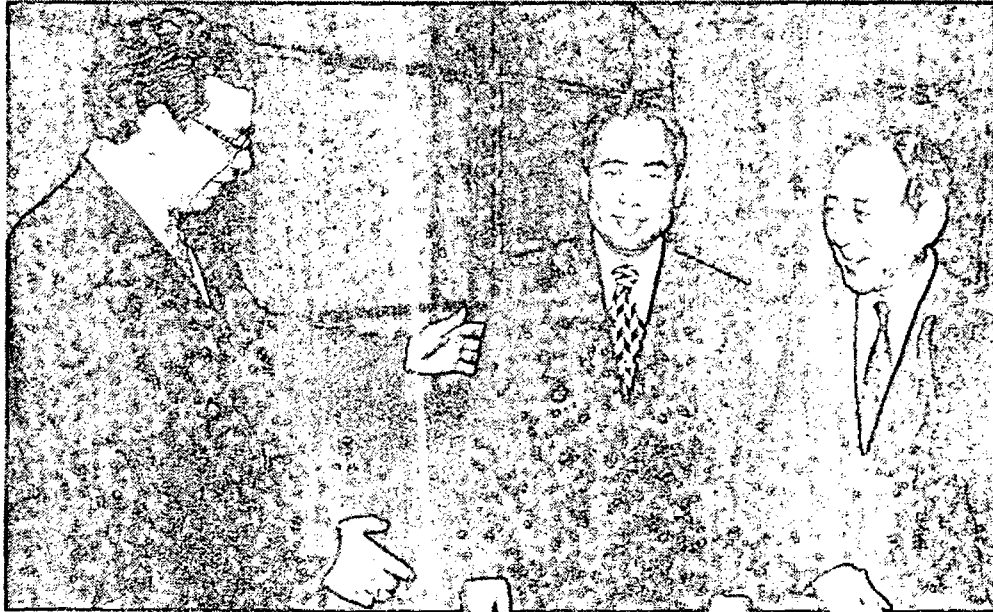
In every model area, BAPPEDA takes initiatives to communicate with Kanwil of each of the four Ministries. Thus, institutional arrangements for the implementation of the Cooperation shall be provided not only in the central level but also in the regional level. The overall Umbrella Cooperation is expected to be promoted based on this institutional arrangement for strengthening communications and collaborations among all related agencies.

Secretariat of the Umbrella Cooperation

International Cooperation Bureau, Ministry of Agriculture
Jl. Harsono RM No. 3, Ragunan, Jakarta Selatan
Tel/Fax: 780-4176
(JICA Experts: Tel/Fax: 781-8259)

STRUKTUR ORGANISASI DEPARTEMEN KOPERASI DAN PPK KEPPRES NO. 58 TAHUN 1993





JPrats

ENGINEERING CONTRACT: The president of PT Pupuk Kalimantan Timur, Syaiful Amir (*left*), chats with the president of PT Rekayasa Industri, Hari G. Soeprapto (*center*), and the president of Chiyoda Corporation of Japan, M. Yamada (*right*), after signing an agreement in Jakarta. Under yesterday's deal, the last two companies will construct the fourth urea production unit in East Kalimantan for PT Pupuk Kalimantan Timur.

Fertilizer firm to build new plant worth \$104.2m

JAKARTA (JP): PT Pupuk Kalimantan Timur, a state-owned fertilizer firm, signed an agreement here yesterday with a consortium of PT Rekayasa Industri and Chiyoda Corporation of Japan to build new production unit worth US\$104.2 million.

"The new unit will use environmentally-friendly technology, which will enable it to turn its liquid wastes into clean water and to reprocess

the released carbon dioxide gas to become a raw material together with ammonia for the making of urea fertilizer," PT Pupuk Kalimantan Timur's president, Syaiful Anwar, said at the signing ceremony at the Ministry of Industry and Trade office.

The company's existing production units simply release their liquid wastes as pollutants into the sea and gasses into the air, he said.

When it starts production in 1999, the new unit will produce 570,000 tons of urea fertilizer a year, bringing its total annual production to 2.4 million tons. The establishment of the new unit, therefore, will make the company the largest urea producer in the country, he said.

Syaiful said that 50 percent of the costs for the new unit's construction will be financed with equity and the remainder with loans from domestic private and state-owned banks.

Secretary-general of the Ministry of Industry and Trade, Aidil Juzar, said in his speech that with the new unit, Indonesia will be able to assure adequate supplies of fertilizer on the domestic market.

Aside from PT Pupuk Kalimantan Timur, the government has five other fertilizer producers -- PT Pusri in South Sumatra, PT Petrokimia Gresik in East Java, PT Pupuk Iskandar Muda and PT Aceh Fertilizer Plant in Aceh, and PT Pupuk Kujang in West Java.

According to Syaiful, Indonesia's total production of fertilizers currently reaches six million tons a year, exceeding the annual domestic demand of about 4.5 million tons. (jsk)

Lack of nutrition still affects Indonesia: Minister

JAKARTA (JP): Despite Indonesia's ability to provide the population with staple foods, the country continues to deal with cases involving a lack of nutrition and unbalanced diets, State Minister of Food Ibrahim Hasan says.

Speaking at the celebration of World Food Day yesterday, Ibrahim said Indonesia has so far succeeded in increasing its food supply and consumption as well as improving the nutritional quality of its foods.

This, he said, can be seen from Indonesia's energy availability level, which reached 2,857 kilocalories per capita per day in 1994, higher than the 2,500 kilocalories per capita per day recommended by the United Nations' Food and

Agriculture Organization.

"Foods that are high in carbohydrate content, such as rice grains and tuber plants, still dominate the diets of most of the country's population," he said.

At the same time, however, most people's diets still lacked in protein content, particularly animal protein.

"This imbalance may cause 'double nutritional problems', meaning that people have a deficiency of certain nutrients and an excess of others," Ibrahim said.

Fish

Yesterday's celebration, which was attended by President Soeharto, cabinet ministers and guests from the diplomatic corps, was held at Taman Mini

Indonesia Indah in East Jakarta.

President Soeharto, in his speech yesterday, said the government intends to boost the population's protein consumption level and will do so by campaigning for the consumption of fish.

"The increasing demand for better-quality food requires larger food supplies. At the same time, however, fertile rice fields are rapidly decreasing, particularly those in Java," he said.

"Thus, apart from opening up new fields outside Java (to meet this demand), we must also utilize other natural resources we have, including those in our seas," he said.

Indonesia's territorial waters have a potential harvest of about 6.7 million tons of marine resources a year, but have so far utilized less than half of this, Soeharto said.

Indonesia also has some 14 million hectares of lakes, dams, swamps and rivers, of which only one-third has been used, he added.

"Fish is a source of animal protein which people can easily process. Therefore, fishery management and cultivation must be intensified," Soeharto said.

Ibrahim, in an interview with reporters yesterday, also commented on the increasing number of franchising businesses in the country.

He contended that Soeharto has warned about the dangers of allowing foreign food franchisees to enter regencies, saying that such businesses do not contribute much to boosting investment in Indonesia.

"Most franchisees, for example, import their raw materials. The businesses rely on royalties and have very limited amounts of investments," he said.

Ibrahim considered traditional food "better" and "healthier".

Commenting on this issue, the chairman of the AK & Partners franchise consulting firm, Amir Karamoy, said there is no reason to worry that foreign food franchises will outdo local businesses, particularly in the country's regencies.

"Even without government protection, foreign franchises will not be able to penetrate the regencies because — except for the Greater Jakarta area — regencies are not their market segment," he told *The Jakarta Post*.

"Most people in small cities will think twice before spending at least Rp 2,000 to Rp 2,500 (86 U.S. cents to US\$1.08) for food sold by foreign franchisees," he said. (pwn)

Editorial — Page 4
Photo — Page 8

Jakarta Post 28 Oct 96.

Fruit association dismisses worries about imports

JAKARTA (JP): The Indonesian Fruit Association (HPI) has given assurances that fruit importation has not reached a level that could damage Indonesia's domestic fruit production and marketing, despite recent media reports suggesting the contrary.

HPI Chairman Goeswono Soepardi said on Saturday that although fruit imports have significantly increased in the last five years — by 1,168 percent in volume and 936 percent in value for oranges and mandarins — the figures are insignificant compared to Indonesia's production and consumption levels.

"The increase during the 1991-1995 period may seem hefty but in terms of volume total fruit imports reached only 112,787 tons last year," Goeswono said in a speech to commemorate HPI's second anniversary.

By comparison, 5.8 million tons of fruit is produced domestically and consumption reaches about 6.3 million tons each year, Goeswono said in the speech, which was read by HPI treasurer Bernard Sadhani.

HPI, established on Oct. 22, 1994, brings together farmers, gardeners, businessmen, academics, practitioners and observers of fruit-related issues.

Indonesia currently imports apples, oranges (which includes mandarins), pears, grapes, dates, longans, lychees and *durian*.

Of these eight fruits, only imports of apples and oranges have significantly increased in terms of volume and value, Goeswono said.

The Ministry of Industry and Trade said total fruit imports increased sixfold during the last five years, from US\$15.7 million in 1991 to \$89.8 million last year, with an average growth of 50.8 percent a year.

Goeswono acknowledged

that despite the rising import levels, the domestic fruit industry continues to develop at its own pace.

Several large national firms have lately expressed interest in the industry and are planning to open thousands of hectares of fruit estates, he said.

"This is because businesspeople want to increase the proportion of good-quality, exportable fruit, which currently accounts for only 20 percent of farmers' production," he said.

In recent months, the media have reported claims from government officials, academics and other observers that the increasing influx of imported fruits is threatening domestic producers.

Goeswono said that President Soeharto has also ordered the restriction of imports and establishment of a regulation to ensure their quality and safety. The regulation is currently being formulated by the Ministry of Agriculture, Ministry of Health and Ministry of Industry and Trade.

HPI secretary-general F. Rahardi said that rather than worry about whether imports threaten domestic producers, Indonesia should be more concerned about the foreign exchange which flows out of Indonesia to pay for imported fruit and the affect on the nation's current account balance.

"In the short term, we are not facing any threats. But this does not mean that the domestic fruit industry requires no reform," Rahardi told reporters.

The need for reform has become more urgent since a number of foreign investors recently expressed their intentions to establish fruit farms and industries in Indonesia, he said.

Rahardi said he believed the government's planned regulation on fruit imports is long overdue.

He said that much of the fruit imported by Indonesia is too old, of low quality or contains pesticide residues.

A 1994 study by the *Trubus* magazine and the PT Sucofindo surveyor company discovered 11 types of pesticides on imported apples, oranges and grapes, he said.

"All of these conditions result in low prices. So it's not correct to say that the low prices are due to greater efficiency in cultivation," Rahardi said.

Goeswono said the problems currently faced by the fruit industry include inferior mother-stocks which produce poor-quality fruit, inappropriate cultivation methods, red tape, lack of support facilities and high interest rates.

"The problem of high interest rates is completely the opposite to that in Australia, Malaysia, the Philippines and Thailand," he said.

Interest rates in those countries are less than 6 percent a year, while in Indonesia they range from 20 to 24 percent.

"It is no wonder, therefore, that more than 80 percent of the credit allocated for horticultural projects is idle," he said. (pwn)

Our food security

Indonesia and most other countries which observed World Food Day 1996 yesterday, can feel content that the neo-Malthusian dooms-day scenario about food supply has so far failed to materialize.

Viewed globally, the war against hunger, undernourishment and malnutrition has been more a distribution problem than one of insufficient food. This, however, does not mean that universal food security has finally been achieved and all people are assured of the nutrition they need to lead a full and productive life.

In fact, the Rome-based United Nations Food and Agricultural Organization (FAO) is not exaggerating when it projects the world may suffer a food deficit of 160 million tons by the year 2010 because between 80 and 90 million new mouths have to be fed every year.

President Soeharto, who was honored by FAO in 1985 for Indonesia's success in achieving self-sufficiency in rice—the national staple—in 1984, thinks even farther ahead. He rightly foresees a dual challenge to future food security.

He sees the long-term sustainability of an adequate food supply as the foundation for food security. But adequate supply is not enough. The quality of nutrition is also crucial for health, which in turn is one of the most essential components for the development of human resources.

The President noted that maintaining an adequate supply of food is in itself already an uphill challenge for a country with a population of almost 200 million. As the population grows by at least by 1.5 percent a year along with per capita income increases and economic expansion, both the supply and variety of food will have to increase steadily as well. But the amount of arable land with good irrigation networks, the most suitable for rice crops, has been steadily declining because it is being converted for other uses such as housing and industrial sites and office buildings. Moreover, the rate of yield growth generated by new technology such as high-yielding strains and fertil-

izer seems to be diminishing.

The government has embarked on developing one million hectares of new rice fields in Central Kalimantan in a bid meet the rising demand, but the yield in this area will not be as high as that in the well-irrigated farms of Java. The sustainability of rice crops in peat and swampy land, as in Kalimantan, has not yet been proven in terms of environmental and economic viability.

The President rightly pointed to our marine resources as a potentially big supplier of protein which has not yet been tapped optimally. As the largest archipelagic state in the world, with more than 17,000 islands, Indonesia indeed possesses huge marine resources which, if developed properly, could become the nation's second largest source of food.

The challenge, though, is that our fisheries sector remains one of the least developed of our natural resources. In fact, our fishing community harbors many pockets of poverty for various reasons, including the extreme lack of well-coordinated policies and excessively arduous licensing procedures. The government often complains that the national production of sea fisheries is only around 30 percent of the sustainable catch. But the industry remains shackled by over-regulation.

The agriculture ministry, so far preoccupied with the task of maintaining rice self-sufficiency, has not allocated enough resources to the fishing industry. Besides, there seems to be too many government hands meddling in the fishing sector, while foreign fishing vessels continue to poach our sea resources. The government did move recently to deregulate the fishing industry by easing import restrictions on fishing ships but the measure is being hindered by a lack of understanding and cooperation between the related institutions.

The President's emphasis on the theme "We improve the nutrition of the people through fish consumption" for this year's Food Day will hopefully be followed by more concerted, coordinated efforts to develop marine resources.

Jakarta Post Oct 14, 96

Indonesia gets World Bank loan to fight poverty

JAKARTA (JP): The World Bank has approved a loan worth US\$140 million to support Indonesia's poverty reduction program.

The bank said the program, called the Second Village Infrastructure Project, will accelerate poverty reduction efforts through investments in the rural infrastructure of 2,600 villages in Java and Sumatra.

The project will build upon the accomplishments of the earlier Village Infrastructure Project for Java, a two-year program assisting 1,200 villages in carrying out public works such as road construction and water supply schemes.

Both projects, according to the bank, reflect the Indonesian government's strategy to reduce poverty from its current rate of 14 percent (around 26 million people) to 6 percent (15 million people) by the year 2000.

Indonesia's rapid economic development over the past

decade has contributed greatly to its success in reducing poverty. The percentage of the population living at or below the absolute poverty level plummeted from 40 percent in 1976 to 15 percent in 1990. In 1993, the poverty rate stood at 14 percent. However, with Indonesia's large population of about 189 million, the number of absolute poor remained high, at about 26 million.

Poverty affects a greater proportion of the rural population — 17 million people — residing in remote areas, marginal uplands, coastal fishing villages or areas too densely populated to support a living through farming.

The island of Java has one of the highest population densities in the world, with 60 per-

cent of the nation's population living on 7 percent of its land. It is home to 56 percent of the nation's poor, while 20 percent live in Sumatra.

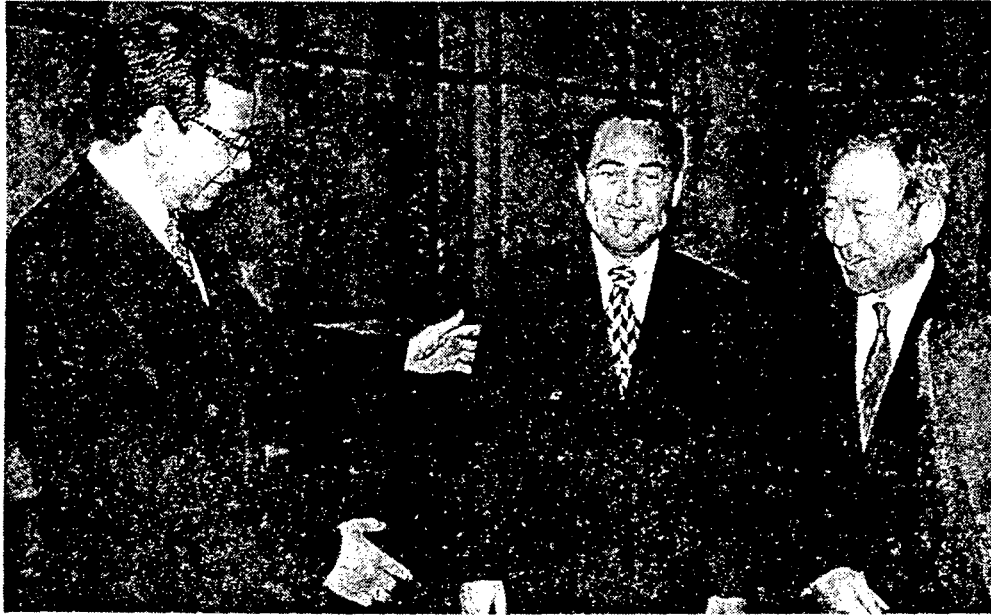
Java and Sumatra's 14 million rural poor comprise 70 percent of Indonesia's total rural poor.

Infrastructure

The Second Village Infrastructure project will assist government poverty reduction efforts by funding infrastructure projects that will benefit targeted pockets of rural poor. The villagers will plan and build public infrastructure themselves, with help from grants and technical advice from engineering consultants.

Based upon community participation, these projects will offer temporary employment and increased income opportunities while improving overall living standards through building access roads, bridges, water supply schemes, sanitation and drainage facilities, markets, piers and other small economic infrastructure.

The total project cost is estimated at \$159.6 million. The World Bank's loan of \$140.1 million will finance 88 percent of the cost. The Indonesian government will be responsible for 10 percent of the village grants and for full administration costs. (hen)



JP/afs

ENGINEERING CONTRACT: The president of PT Pupuk Kalimantan Timur, Syaiful Amir (*left*), chats with the president of PT Rekayasa Industri, Hari G. Soeprapto (*center*), and the president of Chiyoda Corporation of Japan, M. Yamada (*right*), after signing an agreement in Jakarta. Under yesterday's deal, the last two companies will construct the fourth urea production unit in East Kalimantan for PT Pupuk Kalimantan Timur.

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Production : 6mT
demand : 4.5mT

Jakarta Post

29.8.96

Cooperatives to buy chilies

JAKARTA (JP): President Soeharto called on village cooperative units (KUD) yesterday to buy fresh chilies from farmers as a way to arrest recent price declines.

"The President wants KUDs to help stabilize chili prices, which have been declining due to oversupply," Minister of Cooperatives and Small Enterprises Subiakto Tjakrawerdaya said after reporting to the President on the decrease in chili prices.

Subiakto noted that farmers are only able to sell their fresh chilies for Rp 250 (10.5 U.S. cents) per kilogram, far lower than almost Rp 20,000 per kg in February and March.

According to the minister, the country's largest noodle manufacturer, PT Indofood, has offered to buy dried chilies at Rp 4,000 per kg from KUDs.

"Indofood is ready to buy dried chilies, so now we're trying to persuade our KUDs to buy fresh chilies from farmers," he said, adding that KUDs need about four kilograms of fresh chilies to make one kilogram of dried chilies. (13)

WEDNESDAY, AUGUST 28, 1996

Govt to ease sugar marketing restrictions

JAKARTA (JP): Minister of Agriculture Sjarifudin Baharsjah said yesterday that the government is to allow new sugar mills in eastern provinces to market 75 percent of their output by themselves and those in western provinces 50 percent of their own production.

"The government has decided to ease the marketing restrictions to stimulate private investors to develop new sugar mills and sugarcane plantations outside Java," Sjarifudin told a seminar on the prospects of future investment in the sugar industry.

The present sugar marketing system requires sugar mills to sell their output to the National Logistics Agency at the government-mandated price.

However, the government-set prices have mostly been much higher than international prices, thereby forcing the domestic consumers to subsidize the inefficient industry.

Analysts and international aid agencies, including the World Bank, have repeatedly suggested that the government should abolish the sugar monopoly to attract private investors to the industry.

"The government would also help investors acquire land for sugarcane plantations to speed up the development of their projects," Sjarifudin added, thereby addressing the complaints often raised by investors wanting to enter the sugar industry.

Indonesia plans to close down 27 of the 57 state-owned sugar mills in Java, which have been rendered grossly inefficient by their very old machinery, and has prodded

private investors to replace the old mills with new ones in other islands.

National sugar output has been declining over the last three years to 2.4 million tons last year, and imports consequently have to be increased to meet the domestic shortfall.

Last year, for example, sugar imports amounted to more than 300,000 tons, and came mainly from Thailand.

According to the minister, a new sugar mill outside Java should have a daily refining capacity of 8,000 tons of cane and be supported by at least 20,000 hectares of sugarcane estates to be efficient. The investment for such a project is estimated at \$120 million.

In a related development, Plantation Director General A.R. Tondok told the seminar that eight privately-funded sugar mills would be built outside Java by the year 2000.

Three of the new mills, each with a daily refining capacity of 8,000 tons and a plantation area of 20,000 hectares, will be built in the southern part of Sumatra by Sudono Salim's PT Indo Lampung and PT Laju Perdana Indah.

Two mills with the same capacity and acreage will be built in Southeast Sulawesi by state-owned plantation company PTP XIV. (viii)

Govt urged to liberalize palm oil business

JAKARTA (JP): The government should liberalize the palm oil industry to prepare it to compete on the world market, analysts said yesterday.

"Oligopsony, oligopoly and uncertain policy are hampering the development of our palm oil industries. The government should liberalize it to create efficiency," Faisal H. Basri, an economist of University of Indonesia, told a seminar on crude palm oil business regulations.

The meeting, which was organized by the Institute for Development of Economics and Finance, and Intipesan Pariwara, was also addressed by economists and agronomists M. Nawir Messi, Bustanul Arifin, Didik J. Rachbini and Bungaran Saragih.

Faisal, the chairman of the Department of Economics and Development Studies at the university, noted that more than 70 percent of Indonesia's crude palm oil production is used by the cooking oil industry, which is controlled by the Salim Group and Sinar Mas Group.

The two groups have managed to control the prices. "They can keep the prices lower than those on the world market, while at the same time they can get a bigger margin from the increasing prices of cooking oil," he said.

He criticized the poor government policies on farm commodities, including on crude palm oil. "There is no uniform policy on our commodities. Every commodity is subject to separate regulations. But it is only the policy on rice that has a strong eco-

nomnic foundation," he said.

Bustanul Arifin, a researcher of the Institute for Development of Economics and Finance, noted that there has not been any integration between the upstream and downstream industries of crude palm oil.

Faisal suggested that the crude palm oil industry be liberalized by abolishing the export tax of between 40 percent and 60 percent on crude palm oil as it is not effective. "To make our crude palm oil products competitive, the government should abolish the export tax," he said.

He added that the government should also scrap the import tariff of about 20 percent on cooking oil to help create efficiency in local industries.

The Indonesian government imposes export taxes to guarantee the supply of crude palm oil to cooking oil industries and import tariffs to protect the cooking oil industries.

According to M. Nawir Messi, the program director of the Institute for Development of Economics and Finance, in 1995 alone the export tax caused the loss of US\$173 million in foreign exchange which could have been gained from exports.

The export tax has also caused a transfer of welfare worth \$102 million from crude palm oil producers, including farmers, to the cooking oil producers because the local price control forced the producers to

sell their crude palm oil below the normal market prices.

Bungaran Saragih, a noted agricultural expert of Bogor Agricultural University shared the analysts' view, saying that despite the bleak condition, the crude palm oil business is very promising on the world market.

"The crude palm oil business is very promising as the international demand for crude palm oil-based products has been increasing steadily," he said.

The demand for crude palm oil in Indonesia has increased an average of 16.4 percent per year, due mainly to the expanding downstream industries such as those which produce cooking oil, margarine, soap and other crude palm oil-based goods.

15th August, 1996

SE Asian corn prices steady

KUALA LUMPUR (Reuter): Domestic corn prices in Malaysia and Indonesia were virtually unchanged on the back of ample supplies in the market, regional traders said yesterday.

The two countries have built up their stocks by importing heavily in recent months, dealers said.

But prices in Thailand climbed briefly when monsoon rains hindered the harvest before falling back when increased supplies from the fresh Thai harvest began

reaching the market, they said. "Countries around the region all well-covered on their nearby months," a Singapore-based grain trader said.

The U.S. Agriculture Department crop report on Monday forecast the 1996 corn harvest at 8.695 billion bushels, sharply below analysts' estimates of 8.998 billion. It had no impact in the region because supplies were abundant, the traders said.

The reduction in the USDA corn crop projection boosted

prices of corn futures in the Chicago Board of Trade. The December contract rose 7-1/2 U.S. cents to end on Tuesday at \$3.49 a bushel.

"That's why the local market did not follow the international price," a trader at flour mill company in Kuala Lumpur said.

Bulk corn in the local market was unchanged at 530 to 540 ringgit a ton at ex-factory/godown rates in the central region, dealers said.

Indonesian corn prices were also stable in the main Jakarta

market as stocks remained sufficient, traders said.

They said corn was steady at around Rp 530-540/kg, about the same as last week, with recent imports keeping stocks high.

Outside of Jakarta, prices had started to rise slightly as stocks started running down at the end of the harvest season.

"The price has risen a little as it's the end of the harvest season and stocks are exhausted," said one trader in the key growing region of Lampung in South Sumatra.

Soymeal was stable at Rp 780/kg, down from last week's Rp 790-800/kg in the face of good stocks, traders said.

In Malaysia, imported soymeal in bags was priced around 760 ringgit per ton at ex-factory/godown rates in the central region from 745 ringgit the week before. Local soymeal in bags fetched around 777 ringgit compared to 770 ringgit previously.

"A" grade wheat in bags fell 50 ringgit to around 880 a ton ex-factory/godown central region while low-grade wheat in bags dipped 50-70 ringgit to a range of 580-600.

In Thailand, corn prices climbed to 272 baht/60 kg bag late on Friday after rains in the north of the country hindered the transport of the harvest to local markets.

Prices then eased to 266 baht/60 kg on Tuesday when more supplies began reaching the market after the problem was resolved, traders said. Corn prices were quoted at 260 baht on Tuesday last week.

Dealers expected more supplies from Thailand's projected four million ton maize crop in the 1996/97 (July/June) season, but said local maize prices may not decline much further due to rising demand.

Editorial**Inflation rate recovers**

Rising food prices pushed up the inflation rate in July this year, with the consumer price index rising 0.68 per cent after June's deflation of 0.07 per cent.

It must have been caused by a 1.04 per cent rise in the price of food, which had fallen 0.05 per cent in the previous month.

Prices of a number of food products such as eggs, milk, and fresh fish rose because of distribution problems, rather than because of supply shortage.

Housing prices increased 0.42 per cent in July, clothing prices rose 0.51 per cent and the prices of other goods and services rose 0.55 per cent.

July's inflation brought the cumulative inflation rate for the January to July period to 4.7 per cent, much lower than the 6.09 per cent figure recorded for the same period last year.

The total exports increased slightly to US\$4.07 billion in May from US\$4.01 billion in April. Imports also increased slightly to \$3.8 billion from \$3.6 billion.

The country's monthly trade surplus, as a consequence, dropped to \$203.1 million in May from \$366.2 in April.

The drop in the trade surplus did not reflect the

country's worsening export performance because all of Indonesia's top-ten export products, except plywood, had gained significantly.

In the January to May period, total exports were \$19.34 billion and total imports were \$17.17 billion. The total surplus in the January-May period reached \$2.16 billion.

The performances of the country's major exports in May were promising despite the drop in the trade surplus.

Textile exports increased 10.35 per cent. Exports of processed rubber rose 8.43 per cent, steel products rose 38.5 per cent, coconut and palm oil rose 18.96 per cent. Plywood exports, on the contrary, dropped 1.23 per cent.

The cement supply, which was often interrupted during rainy seasons, was expected to have no major problems this month.

The cement stock, which is expected to reach 845.304 tons by the end of this month is sufficient to meet the demand.

The supply of other important commodities such as rice cooking oil and fertilizer will remain under control.

Thousands of hectares of land have been appropriated to promote more sugar plantations.

14 August, 1996

Cooperatives and Small traders must be careful in facing 2003

DILI, E. Timor (Ant) -- Minister for Cooperatives and Small Businesses reminded Indonesian cooperatives and small traders to be careful in facing free trade in the year 2003.

In this connection anticipatory steps should be taken to improve the quality of the human resources as well as of the products to guarantee the market share in facing free trade, the minister said here on Monday in his lecture on "Cooperatives and small traders' policy."

In the era of globalization in the year 2003 there are no borders

to limit movements from one country to the other thus making trade systems no longer subject to various stiff regulations.

Be Improved

Faced with this reality, the quality of the products produced by the small and large enterprises in Indonesia should therefore be

improved, he said.

"Failure to do so at the earliest possible time Indonesia will probably become only second best in the competition against foreign products or worst yet only as fencibilities", he warned.

In the year 2003 various commodities from other countries such as Malaysia will be free to enter the Indonesian market, including East Timor, he said.

He therefore called on all the Indonesian cooperatives and small businesses to think about ways how to face the forthcoming globalization and free trade era in the year 2003.--

... 3,557 hectares for minimum
cultivation.
This project is one of the
government's efforts to enhance
rice production because of the
increasing demand for rice each
year particularly in this region.
To stimulate rice planting
activities, special credits for
farm operations (KUTs) will be
made available to the farmers,
Darmius Nurdin said.

... areas of Mt Merapi to prepare
for evacuation if the situation
worsens.
Mas Atjé Purbawinata, head of

number of volcanoes in the world,
500 of it located along the "Ring
of Fire", 130 active and 65 listed
as "dangerous".--

volcano's last eruption in
November 1993 reached more
than 60. It also caused major
damage to property.--

East Java main maize producer in Indonesia

SURABAYA (East Java) --
East Java is placed as the main
contributor to the national maize
production, as the province's
maize growing area accounts for
34 percent of the Indonesia's total
maize producing areas.

To achieve national self-
sufficiency in maize, East Java is
currently intensifying the use of
hybrid maize prime seeds that
will expectedly help raise the
farmers' income.

"Maize is not only consumed
by the people, but is also one of
the basic materials for the
country's growing cattle feed
industry," said Soedirman, head
of the provincial office for

economic development, during
the 1996 National Savings Week
at Tugu Pahlawan, Surabaya, on
Sunday.

In the 1996 planting season, a
total area of 350,000 hectares
consisting of 268,000 hectares of
rice fields and 82,000 hectares of
dry land, will be cultivated.

He pointed out that the
province's average productivity in
maize was still low, reaching only
27.55 quintals per hectare.

The hybrid maize variety,
which will undergo an intensive
cultivation, has a productivity of
almost twice that of the ordinary
maize variety, namely 50 quintal

per hectare, he said.
About 130,000 hectares out of
350 hectare area earmarked for
cultivation will be grown with
hybrid maize in the 1996 planting
season, he said.

By the end of July, an area of
about 194,255 hectares or 55 per
cent of the projected 350,000
hectares have already been
realized, Soedirman said.

He admitted however that
most of the farmers were still
reluctant to grow hybrid maize
variety due to a lack of
information on market prospects
and a delay in the distribution of
credit.--

... containers to the subscriber
system," Kendari regent Drs. A.
Razak Porosi said here early this
week.

Nowadays, the PDAM of
Kendari is only able to serve
some 40 percent of the total
demand for clean water of some
170,000 families in the city, he
said.

He added every subscriber
only get clean water once in two
days with the old facility.--

grammes

- 02.00 Latest News (TVRI)
- Indosiar**
- Tuesday August 13, 1996
- 12.00 Infomecial
- 13.00 Interactive Games
- 15.00 Born To Cook



JAKA
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Mr. Sukard

jasmine flower, the first day envelope, stamp pack and evening prayers." The similar Islamic rituals were also at Mrs Soeharto's house, things," Soeharto said.

heart attack on April 28. (5y)

RI faces serious challenge in sustaining food self-sufficiency

JAKARTA (Ant)--Indonesia, since 1988, has been enjoying a surplus in its total food trade balance.

However last year, things did not turn out to be so bright when a deficit of more than US\$ 1.5 billion was recorded in the grain sector, prompting the country to import rice, corn, soybeans as well as processed and unprocessed wheat.

In 1995, Indonesia imported US\$ 1.545 billion worth of such commodities, compared to crop exports of only US\$ 40.8 million.

The fruit sector has also begun to sound an alarm as fruit imports reached US\$ 299 million while exports were registered only at US\$ 240.7 million.

Analysts said the increasing import of corn and soybeans were mainly caused by the soaring demand for fodder.

Both corn and soybeans in Indonesia are frequently used in fodder mixture.

Aware of the situation, President Soeharto warned fodder producers last month that despite the increasing demand for their product, they must maintain a reasonable price.

"There is no way we would allow them to burden cattle

breeders, especially those with limited capital," he said.

In the past, the National Logistics Board (Bulog) also regulated the price of fodder, but since many believed in the free market system more, the Board stopped doing so, he added.

The result however was rather disappointing because the system has increased the price of fodder price, instead of reducing it, the president said.

Meanwhile, Agriculture Minister Sjarifuddin Baharsjah has expressed optimism that the government would be able to meet the demand for corn.

He referred to the plan to expand the country's corn fields by 500,000 hectares.

His ministry, he said, has also prepared to produce new hybrids of corn to be grown in six provinces.

Five percent hike

Latest statistics show that every year, the local demand for corn leaps by an average of five percent, but production only increases by four percent.

The gap between the supply and demand drew criticisms from some legislators who said that this should not occur in an

agricultural country like Indonesia.

Imam Churmen of the House Commission on agriculture, forestry and transmigration said corn self-sufficiency will enable the country to save at least US\$ 325 million every year.

He added that the commitment to promote self-sufficiency in corn should be extended to such commodities as rice, soybeans and wheat.

No less than President Soeharto himself on various occasions said that one of the biggest challenge facing the country is food self-sufficiency.

"We have no other choice but to boost our food and food processing industries," he said.

Analysts agreed, referring to the People's Republic of China which used to be a major food exporting country but have now started to import a number of agricultural commodities.

Baharsjah acknowledged that the goal is to make the country an agribusiness center but for this, a number of obstacles must first be removed.

Among these are the decreasing agricultural land, limited capital, limited research in agriculture, and farming methods which are not yet intensive or supported by high technology, he added.

Expressing his optimism on the prospects of the country's agribusiness despite the obstacles, he said, "All it takes is a whole-hearted commitment."

AFTA and APEC

He also referred to the ASEAN Free Trade Agreement (AFTA) which will start in 2003 and the Asia-Pacific Economic Cooperation (APEC) free trade goal which will begin in 2010.

Both the AFTA and the APEC schemes will compel Indonesia to strengthen its agribusiness, including its food and food processing industries, Baharsjah said.

Sharing the opinion, Churmen said that sustaining food self-sufficiency is a difficult task.

"However, we are a country blessed with fertile land.

This means that if the

government is committed and the private sector will pay serious attention to prevailing trends. All farmers --with major, medium- and small-scale activities--will then uphold the partnership spirit, and the goal will not be too far off," he said.

And if things run as expected, there is always a possibility for Indonesia to become a food exporting country to reckon with, Churmen said, adding that after all, the demand for food in the world market has always been on the rise.

Last day's m

ATLANTA (Ant/AFP) -- International Olympic Committee (IOC) president Juan Antonio Samaranch vowed that the problems that have plagued the Atlanta Games will not be allowed to happen at the 2000 Games in Sydney.

Samaranch said a special IOC working group would be created to keep in regular contact with the Sydney organisers.

The IOC co-ordination committee only met with the Atlanta organisers two or three times a year and it had not been enough, Samaranch said at his traditional end of Games press conference.

COUNTRY	GOLD
UNITED STATES	44
RUSSIA	26
GERMANY	20
CHINA	16
FRANCE	15
ITALY	13
AUSTRALIA	9
CUBA	9
UKRAINE	9
SOUTH KOREA	7
POLAND	7
HUNGARY	7
SPAIN	5
ROMANIA	4
NETHERLANDS	4
GREECE	4
CZECH	4
SWITZERLAND	4
DENMARK	4
TURKEY	4
CANADA	3
BULGARIA	3
JAPAN	3
INDONESIA	1

Irian Jaya tribes transfer their land for transmigrants

JAYAPURA, IRIAN JAYA (Ant) -- The Kamoro tribe from Mimika Barat, Fakfak district, Irian Jaya, by the end of

July this year transferred 90,000 hectares of communal land for the resettlement of transmigrants in Mimika Barat subdistrict.

The transfer was carried out by Kamoro tribal chief Johannes Kapiaw and co-signed by two prominent tribal figures, witnessed by officials from the Fakfak transmigration office, the head of the Irian Jaya provincial transmigration office, Sudarmadi, told ANTARA here on Monday.

Sudarmadi said that not all of the land would be used as transmigrant resettlement site, because part of the land consisted of protected forest and swamps.

In the near future his office will conduct a field survey to

determine which part of the land is suitable for a transmigrant resettlement site, while resettlement of transmigrants is expected to take place in the 1998/1999 fiscal year, Sudarmadi said.

Ansudu tribe

The other tribe who have transferred land for the resettlement of transmigrants is the Ansudu tribe in Bonggo subdistrict, Jayapura district, Irian Jaya, who transfer 30,000 hectares of communal land to the transmigration ministry some time ago, Sudarmadi said.

Resettlement of transmigrants in this area is scheduled for 1997 to 1999, he said.

In the Bonggo area there is already another transmigration site inhabited by 324 families, Sudarmadi added.

16.7.96

THE JAKARTA POST

BUSIN

Inkud gets \$540m in loans

JAKARTA (JP): The federation of village cooperatives (Inkud) has raised Rp 1.27 trillion (US\$540 million) in syndicated loans from five private commercial banks — Bank Danamon, Bank Universal, Bank Duta, Bank Niaga and Bank Bukopin.

The federation's president, Jeff Mustopha, said last week that Bank Damamon pledged Rp 700 billion of the syndicated loans, Bank Universal Rp 250 billion and Bank Duta another Rp 125 billion.

Each of the other two banks, Bank Niaga and Bank Bukopin,

agreed to provide Rp 100 billion, Jeff said.

He said that the federation would use around Rp 170 billion of the total loans to finance its clove purchases.

The federation is the only body allowed by the government to buy cloves from farmers, which are then sold to cigarette producers. (hen)

Rice imports see 10-fold increase

JAKARTA (JP): Indonesia's rice imports have increased almost 10-fold in the last five years, soaring from US\$53 million in 1991 to \$514 million in 1995, an official says.

The Ministry of Industry and Trade's Director General of International Trade Anang Fuad Rivai said last week that the value of rice imports during that period grew at an average of 56 percent a year, while volume increased by 60.8 percent a year.

"The higher increase in import volume compared to import value shows that the price of rice imported by Indonesia during that period had a tendency to decline," Anang said during a hearing with members of the House of Representatives' Budgetary

Commission.

Last year, however, the import value increased sharply — by 227 percent — indicating that Indonesia imported extremely large amounts of rice, Anang said.

He did not mention the volume of rice imported, but earlier reports said imports increased from 2.4 million tons in 1994 to 2.9 million tons in 1995.

Anang said Indonesia's imports of dairy products over the past five years doubled from \$63 million in 1991 to \$143 million in 1995, with import value growing by an average of 18 percent and volume increasing by 9.3 percent a year.

Imports of foodstuffs during that period — both semi-processed and prepared foodstuff — doubled from

\$934.7 million to \$2.04 billion. Imports went up by an average of 13.3 percent a year, while the value increased by 20.2 percent.

Imports of drinks during that period tripled from \$6.7 million to \$21.8 million. Most of the imports were made up of alcoholic beverages and mineral water.

Imports of fruits during 1991-1995 increased six-fold, from \$15.7 million to \$89.8 million, growing at an average of 50.8 percent a year. Most of the imports consisted of fresh fruits such as apples, pears, grapes and mandarins.

Imports of household equipment during that period, however, showed an increase of only 12.2 percent in value, from \$306.6 million to \$540.2 million. (pwn)

July 12 1996 J.P

House factions express concern over food security

JAKARTA (JP): Factions at the House of Representatives expressed concern yesterday over the volatility of Indonesia's food security and called on the government to prevent further conversion of agricultural lands for non-agricultural use.

Spokesman Djuwardi Effendi from the Indonesian Democratic Party (PDI) and spokesman Saleh Khalid from the United Development Party (PPP) said during a House plenary session that the government should try harder to maintain Indonesia's food security.

The two parties were particularly concerned about the situation of Indonesia's rice production, which is the staple food for most of the country's 195 million people.

The spokesmen voiced their concern during the preliminary session deliberating the government-sponsored food bill, which was attended by Minister of Food Ibrahim Hasan.

Djuwardi acknowledged that maintaining self-sufficiency in rice for 12 years was a difficult task.

The reason for this, he said, was not only because of an increase in population, but also because the government had allowed extensive conversion of agricultural lands for non-agricultural purposes.

Government offices, he said, also failed to carry out sound coordination — particularly during harvest seasons — leaving farmers vulnerable to middlemen.

Djuwardi also blamed faulty weather predictions and shortages of rice seedlings and fertilizers during planting sea-

sons, which, in turn, forced farmers to buy them at extremely high prices.

"Apart from that, village cooperatives, which have the responsibility of purchasing harvests from farmers, often fail to provide funding on time. Since farmers need cash urgently, they turn to middlemen who buy their rice at very low prices," he said.

Indonesia was the biggest rice importer in the world before it gained self-sufficiency in 1983. In 1994 and 1995, however, unfavorable weather and diseases forced the country to rely partly on imports.

Djuwardi said Indonesia currently requires 26 million tons of rice a year. But domestic production in the last three years failed to meet this demand.

In 1994, he said, Indonesia imported 2.4 million tons of rice and in 1995, another 2.9 million tons.

"When we speak of food security, we must never disregard farmers, who actually play the biggest role in providing rice," he said.

Similarly, PPP spokesman Saleh said that the government did not pay enough attention to the well-being of farmers.

"Instead, the government has allowed farmers to be thrown out of their own land by large-scale industrial, housing and other non-agri-

cultural projects. The farmers are forced to work as laborers in their own fields," he said.

Saleh said the rice shortage that occurred in the last couple of years was a "bad sign" for the future of the country's food stock.

Since Indonesia achieved self-sufficiency in rice in 1993, he said, agricultural land has declined from 16.7 million hectares to 15.9 million hectares.

"The loss on Java alone reached 0.9 million hectares, but this was offset by the opening of 0.1 million hectares of agricultural land outside Java," he said.

In 1983, agricultural land in Java totaled 5.5 million hectares but in 1993, only 4.6 million hectares were left.

Meanwhile, during the same period, agricultural land outside Java increased from 11.2 million hectares to 11.3 million hectares.

The PPP faction said the small credit allocation of banks for agricultural projects also showed how neglected the sector was.

In the 1990-1994 period, the agricultural sector obtained 7.6 percent of the credit allocated by banks. The industrial, trade and services sectors obtained 31.2 percent, 23.8 percent and 25.5 percent respectively, Saleh said. (pwn)

Dairy cooperatives ready for free trade

Jakarta
Post
21.2.97.

JAKARTA (JP): Indonesian dairy cooperatives, which produce most of the country's fresh milk, are optimistic local dairy farmers will survive when they must compete with foreign producers in 2005.

Union of Dairy Cooperatives of Indonesia secretary general Salim Al Bakry said yesterday dairy farmers would survive in the free-trade era because their milk was as cheap and as good as imported milk.

"Our farmers will survive without government protection," he said.

Indonesia protects dairy farmers by restricting milk imports through an import ratio that has operated since 1982 and is reviewed every half year.

The current ratio is 1:1.7. This means milk processors are allowed to import the equivalent of 1.7 liters of fresh milk for every liter of fresh milk they buy locally.

In 1995 Indonesia agreed to revoke the import ratio by 2005. It did this at a meeting in Geneva where New Zealand, which is Indonesia's biggest milk supplier, represented other milk exporters.

At this meeting Indonesia and the exporters agreed to stop subsidizing dairy farmers the same year.

Salim said Indonesian fresh milk cost Rp 700 (29 U.S. cents) a kilogram, while imported milk cost between Rp 550 and Rp 600 a kilogram.

He said the Indonesian milk price rose 5 percent a year, while the price of imported milk rose at the same rate because of the dollar's appreciation against rupiah.

By 2005, the price of imported milk would jump more than 5 percent after government subsidies ended, he said.

The price of Indonesian fresh milk would remain stable because local dairy farmers only received small subsidies, if any, from the government, he said.

"European countries give a subsidy to their farmers. New Zealand and Australia also subsidize their dairy farmers, although they don't acknowledge it," he said.

He said New Zealand and Australia did this by providing cheap land.

Indonesian dairy farmers

got cheap cooperative credit at an interest rate of 14 percent a year, but this was still higher than commercial interest rates in exporting countries, he said.

"Many of our farmers have even taken credit at commercial rates of 18 and 23 percent," he said.

The Union of Dairy Cooperatives of Indonesia has about 80,000 members.

Salim said foreign milk producers had a comparative advantage over Indonesian dairy farmers because their cattle grazed on farms while Indonesian cattle were lot fed which costs more.

Dairy farming is concentrated in Java where Indonesia's milk processors are located but there is no room for open grazing.

But Salim said Indonesia had comparative advantages over western countries in that it had cheaper labor.

He said Indonesia's dairy cooperatives did not fear for their future market because domestic milk consumption was rising at an average of 12.8 percent a year.

Ministry of Agriculture figures show domestic fresh milk consumption for the first half of the year will reach 770,360 tons. Domestic suppliers will supply 200,000 tons of this including 161,995 tons from dairy cooperatives. The remaining 570,360 tons will be imported.

The union estimates national fresh milk consumption will reach about 2 million tons. Domestic suppliers will produce 579,400 tons, and 1.4 million tons will be imported. (jsk)

Training of Trainers on Agribusiness Management
--Indonesia--

PROGRAMME

1997

- July 7 Arrival
- 8 Opening
- f Lecture • Discussion [Status and Role of Agricultural
f Cooperatives in National Economy and Society Japan,
f in particular in Rural Society]
- f (1)Comparative position of Agri.Coops.in national economy
f and society,particularly agribusiness sector
- f (2)Function of Agri.Coops. fulfilled in past many years in
f society, culture and tradition Japan
- 11 (3)Role of Agri.Coops. in rural society
- 12(Sat),13(Sun) Self-Study
- 14 Lecture • Discussion [Introduction of Japanese Agriculture and
f Agri.Coops.]
- f (1)Present status and features of agriculture(small-scale,
f plural commodities production,family-farm,aged farmers,
f environment friendly farming, etc.)
- f (2)Present status and features of marketing and
f distribution of agri.products(market system, direct
f selling to consumers, processing,storing, marketing,
f agribusiness sector,etc.)
- f (3)Present status and features of demand of foodstuffs
f (trend of consumption,nutrition, food safety, processed
f foods, eating-out~~side~~, food service for a child,etc.)
- f (4)Relation between Agri.Coops.and farmers, rural people
- f (5)A variety of businesses(sustained agribusiness) handled
18 by Agri.Coops. ed
- 19(Sat) Self-Study

Dairy farming business to gear up for 2005

JAKARTA (JP): Indonesia's dairy farming business, which has been developing at a slow 4.6 percent annual growth rate in the last five years, has less than 10 years to strengthen itself before imports start flooding the domestic market in 2005.

Salim Al Bakry, the secretary-general of the Union of Dairy Cooperatives in Indonesia, said that under the General Agreement on Tariffs and Trade (GATT) framework, Indonesia will be expected to have lifted its milk-ratio policy by 2005.

The policy — a non-tariff barrier — has so far been able to protect small-scale dairy farmers from being battered in fierce competition against imports.

"When there is no milk-ratio policy, milk-processing companies will be allowed to import all the milk powder they need, without having to absorb fresh milk from domestic farmers. Local dairy farms have no choice but to prepare themselves for this," Salim said at a recent seminar on the dairy industry.

Currently, the policy sets a ratio of 1:2.4, meaning that milk-processing firms are allowed to import milk powder equivalent to 2.4 liters of fresh milk for every liter of fresh milk they buy from domestic

farmers. The ratio is reviewed every six months.

Threat

Lowering the ratio will no doubt become a threat if the conditions of dairy farms remain the same as they are today.

According to the dairy union's figures, a small-holder's dairy farm owns three to four milch cows, each of which produces only about 10 liters of milk per day.

Such farms — which make up 90 percent of the country's dairy farming business — generally have a calving interval of over 16 months, thereby resulting in low productivity. They are usually managed unprofessionally, as they lack breeding knowledge and technology.

In comparison, as recorded by Business Consultancy Indonesia, the productivity of overseas dairy farms can reach 15 liters to 18 liters of milk per cow per day.

Small-scale farms currently gain extensive support from the cooperatives' union, which was established in 1979 to assist farmers at preproduction, production and postproduction stages.

The farmers are also protected by the government, which encourages large milk-processing companies to assist small-scale dairy farmers

through small-holders nucleus estate programs.

To back this up, the government issued a presidential decree in 1993 which stipulated that milk powder and condensed milk industries will be closed to investment unless they are integrated with dairy cattle-raising farms under a nucleus estate program.

This program requires a company to act as a core, which provides a complete aid package to dairy farms — from management techniques and training to capital loans.

The government also controls the imports of milk and milk products. Through two decrees issued in 1995 and 1996, the government appointed 10 major milk-processing companies grouped in the Association of Indonesian Milk Processing Producers as importers of milk for milk-processing companies.

For non-milk industries, the imports must be conducted through state-owned trading firms PT Pantja Niaga and PT Kerta Niaga.

The dairy goods — classified as "luxury goods" by the government — are charged a 10 percent luxury tax, a 10 percent value-added tax and import duties of between 15 percent and 35 percent.

In spite of all the backup and support, domestic milk production is still unable to meet

the demand from milk-processing industries.

Business Consultancy Indonesia stated in its report that local production of fresh milk meets only 30 percent of that required by the seven largest milk-processing firms in Indonesia.

"Domestic production... cannot keep up with the requirements of the industry," the report read.

Meanwhile, the seven companies — PT Nestle Indonesia, PT Indomilk, PT Friesche Vlag Indonesia, PT Foremost Indonesia, PT Ultra Jaya, PT Dafa and PT Sari Husada — are the main consumers of domestic fresh milk, absorbing up to 70 percent of its total production.

According to the report, the companies offset their shortage — up to 70 percent of their demand — by importing mostly semi-finished milk products in the form of skim milk powder, buttermilk powder, and a hydrous milk fat.

Imports are reportedly cheaper by Rp 100 (4 U.S. cents) to Rp 150 per kilogram than local products.

As of 1994, the main countries supplying raw materials for Indonesia's milk-processing companies are New Zealand (24 percent), Australia (20 percent), Germany (7 percent) and the Netherlands (6 percent).

A.C.N. Zwanenbergh, the Netherlands-based Rabobank's food and agribusiness research sector manager, said the GATT framework will require dairy companies to reconsider their strategies.

"The future of the dairy industry will be affected by geographical regions, scale, structure, governmental policy and proximity to consumer markets," Zwanenbergh said.

"Many companies are now desperately seeking new markets for their dairy products as their home markets become saturated," he stated in a paper presented at the seminar.

Zwanenbergh pointed out that Indonesia's commitment to the GATT will require the removal of non-tariff barriers on agricultural products and this, in turn, will affect both farmers and processors as they are forced to compete with cheaper import milk products.

According to Business Consultancy Indonesia, Indonesia's milk consumption per capita per year is presently 3.7 liters the equivalent of fresh milk, which is extremely low compared to neighboring countries Thailand (15 liters) and Singapore (30 liters).

Business Consultancy Indonesia's dairy sector will face the prospect of many changes in consumption, production and processing. The next 10 years to 12 years will be a dynamic and challenging period for both Indonesian and foreign companies with good opportunities open to both," Zwanenbergh said. (pwn)

Output of milk products in Indonesia, 1991-1995:

Year	Output (tons)	Growth (%)
1991	636,903	—
1992	688,000	8.0
1993	733,264	6.6
1994	741,264	1.1
1995	762,461	2.9

Source: Business Consultancy Indonesia, Ministry of Industry and Trade

Indonesia estimates that the country's milk consumption will increase at an average rate of 4 percent a year, from 3.8 kilograms per capita in 1996 to 4.4 kg per capita in 2000.

Meanwhile, production levels — which are estimated at 3.9 kg per capita — are expected to grow by 4.6 percent a year.

"Indonesia's dairy sector will face the prospect of many changes in consumption, production and processing. The next 10 years to 12 years will be a dynamic and challenging period for both Indonesian and foreign companies with good opportunities open to both," Zwanenbergh said. (pwn)

Consumption and production of domestic fresh milk in Indonesia, 1990-1995.

Year	Production (000 tons)		Consumption	
	Vol	Big 7*	Vol	%
1990	345.6	245.8	71.1	99.8
1991	360.2	236.7	65.7	123.5
1992	367.2	369.2	73.3	98.0
1993	412.5	297.1	72.0	115.4
1994	425.0	301.4	70.9	123.6
1995	434.8	313.2	72.0	121.6

Source: Business Consultancy Indonesia

* Big 7 consists of the seven largest milk-processing firms in Indonesia: PT Nestle Indonesia, PT Indomilk, PT Friesche Vlag Indonesia, PT Foremost Indonesia, PT Ultra Jaya, PT Dafa and PT Sari Husada.

Imports of dairy products in Indonesia, 1991-1995:

Year	Cheese		Butter		Yogurt	
	Volume (ton)	Growth (%)	Volume (ton)	Growth (%)	Volume (000 US\$)	Growth (%)
1991	3,311	7,553	9,641	17,506	64	—
1992	5,008	9,738	9,018	17,403	85	-33.2
1993	4,340	7,844	9,986	19,019	111	30.9
1994	3,927	8,883	8,726	16,328	160	43.2
1995*	6,024	9,633	11,378	25,755	527	230.3

Source: Business Consultative Indonesia, Central Bureau of Statistics

*) As of October, 1995

Jak.P.S. 24.6.95

94. Boy, can we ever keep up with all these?

Well, since we have to work and do not just play around with our personal computers, I think we should be careful in making our moves, at least as far as operating system is concerned. Like so many other things in life, it's not always the case that the new is better than the old. Take my favorite CorelDRAW!, for instance. The new Windows 95 version — CorelDRAW! 6.0 — had only some minor changes that I did not even bother to review. In fact, I still strongly regret having paid US\$275 for the upgrade. Nonetheless, here I am in the

can access this folder by clicking on the "Start" button, "Settings", and "Control Panel". One should better study carefully each of the files that the folder contains; particularly the "Display", "Add new hardware", "Add/remove new software", and "System" files. One should open them one by one in order to learn what one can do with their help.

Fine tuning

The most important thing to keep in mind is that Windows 95 will not run efficiently as long as one still uses the old Windows 3.x 16-bit device dri-

Panel" folder: just click on the "System" icon, which is usually the last one on the bottom row.

Go to the "Performance" tab — one can move by hitting the right arrow or clicking directly on the tab. If the system does not perform optimally, there will be a window that provides some explanation as to what is wrong. One can also click on the "Details" button found under the window to get more detailed explanation.

If, on the other hand, it performs as it should, the file system and virtual memory should be both working in the 32-bit mode. If one has compressed one's hard disk(s) with

time finding one's way around until one gets to their source.

Before one quits the "System Properties" dialog box, one should go back to the "Performance" tab and check whether the other subsystems are optimized. Check the file system performance further by clicking on the "File System" button. The typical role of the PC should be set correctly, whether it is intended to work as a desktop PC, a notebook or a network server.

More importantly, the read-ahead optimization's sliding button should be at the "Full" end. If one has a CD-ROM drive, one might just as well move to

to return to the "Performance" tab. Click on the "Virtual Memory" just to make sure that it is set to be managed automatically by Windows 95.

Unless one is really short on hard disk space, one would better let Windows 95 manage it by itself. If, however, one has very limited space, one can then specify the maximum size of the swap file thus leaving some space for new data. If necessary, one can also force Windows to move the swap file to a different hard disk — preferably a faster one.

The display

During installation, Windows 95 also detects what kind of graphics card one has. One will probably encounter no problem if one has a popular brand graphics card on one's PC. It may also happen that the operating system installs a generic video driver for the graphics card that one has. Of course, this will not necessarily bring about the best performance. So, while at it, one can check whether the right display driver is installed.

Go to the "Control Panel" folder again, and click on "Display". Or, click on the desktop and click on "Properties". On the dialog box that appears, click on the "Settings" tab, and then click on the "Change Display Type" button. See whether Windows is using the correct display dri-

Sony Corporation unveils its first personal computer

NEW YORK (AFP): Sony Corporation jumped into the personal computer market last Monday, unveiling its first PC or what the Japanese electronics giant called a "new age" of information and entertainment.

The units will be sold in the United States starting in August at a range between US\$2,000 and \$3,000, in line with other PC makers, the company said.

The new strategy for Sony put it into a competitive market against firms such as Compaq Computer, Hewlett-Packard and Packard Bell Electronics.

But Sony is banking on giving its computers an edge with its expertise in video and audio electronics, said Kuni Ando, president for information technologies, for Sony Corp.

"Sony will make home PCs with superior audio and video performance," Ando said at a news conference at the New York PC Expo.

"Our challenge is to take advantage of our audio and video expertise to build a communications device of the new age."

Yankowski, president and chief operating officer of the Sony Electronics unit of the Japanese firm.

"Computers have reached the point where they have the potential to be powerful entertainment devices in the home."

The Sony PCs will use Intel's Pentium processors and Microsoft Windows 95 operating system and will have their own multimedia audio and video systems. The units will be violet and gray, joining a trend toward more colorful home computers.

Designed by the same Sony art director behind the company's PlayStation video game system, the machines sport such touches as a sliding door that conceals the slots for their floppy disk and CD-ROM drives.

The two versions also include modems that let people talk and exchange data over a single phone line, which could for example allow Sony's technical support personnel to diagnose problems while talking on the

phone with the customer.

For Sony, the PC is "only a first generation" of what the company called a new era in "interactive entertainment," said Yankowski.

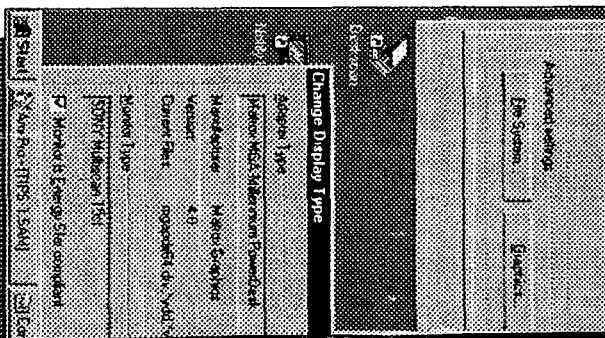
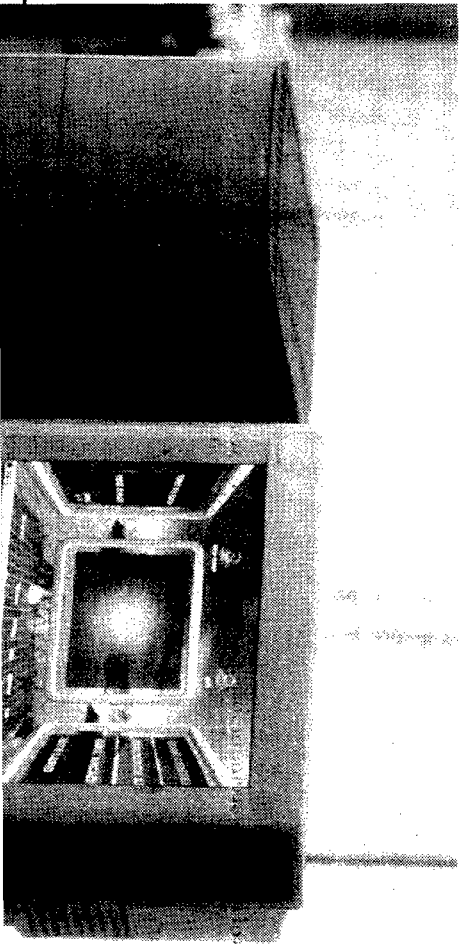
PC sales have reached a critical mass as computers become more entertainment machines than word processing or number crunching tools, he said. "Personal computing is decidedly a family affair."

PCs in the United States, where computers are present in one third of all homes, defies some analysts who claim the American market is saturated.

Another Japanese firm, Sharp, introduced a notebook computer here with a screen that looks less like a TV screen and more like a wide-screen film. This enables users to view two Web pages side by side and more spread-sheet columns.

ver. Otherwise, put the diskette containing the Windows 95 display driver that is supplied by the hardware manufacturer in the drive and click on the "Change" button. The rest is just a matter of clicking on the "OK" buttons.

If one has downloaded the software driver from Internet, chances are that the file is compressed using PKZIP or LHARC. If that's the case, open a DOS window, create a temporary subdirectory on the hard disk, copy the file into it together with the right decompress utility, and decompress it. Then, in order



THE JAKARTA POST. 24.6.1996

Jakarta Post 20 3 96

RI seeking to re-export huge quantities of rice

SINGAPORE (Reuter): Indonesia, faced with growing rice supplies, is seeking to re-export some of the huge quantity of rice it imported last year, especially from India, but traders said yesterday that there were few buyers around.

Indonesia, a significant rice producer, turned to imports in

late 1994 after adverse weather conditions hit domestic harvests. The government put the purchases at 2.0 million tons in the 1995/1996 fiscal year ending this month.

But local harvests have now returned to normal, swelling rice stocks at National Logistics Agency (Bulog) to two million tons in late February from 1.8 million earlier in the month.

A trader at a Singapore firm said he heard Indonesia was attempting to re-sell "hundreds of thousands of tons" of

Indian rice to West Africa.

But a major Bangkok trader said no deals had been concluded yet. "They want to re-export but there are very few interested buyers," he said, adding that the exportable volume was estimated to be around 200,000-300,000 tons.

Traders said the other factors behind Indonesia's attempts to re-export were the low quality of the Indian rice and the problem of obtaining storage space for the grain.

The bulk of the Indian rice,

drawn down from New Delhi's substantial government stockpile, was shipped to Indonesia between January and October last year.

"Despite the quality, the Indonesians initially accepted the rice because they had no choice.

"But towards the last quarter of last year, they started rejecting the same rice because of the quality when they realized they had sufficient stocks," he said.

The rice is still edible but traders said one option is to turn it into animal feed to help cut possible losses.

Jakarta had committed to buy up to two million tons of Indian rice last year. Traders said they were not sure how much of that rice was delivered but added that the deals which were canceled involved cargoes that were not loaded or delayed at Indian ports.

The Indonesian rice harvest, which started in some parts of Java in February, is expected to go into full swing this month. Indonesia produced 49 million tons of unhusked rice in 1995, compared with 46.4 million in 1994 and 48.14 million in 1993.

Bulog chairman Beddu Amang said last month that rice imports were continuing to arrive and the agency was facing problems in obtaining storage space.

"We have enough warehouses to store the rice we will be buying from the farmers when the harvesting season comes. Our problem is how to store the rice imports landing at the major ports," he said.

全国農業協同組合中央会

Cooperatives want to control fertilizer distribution

*Jakarta Post
14-2-96.*

JAKARTA (JP): Village cooperatives yesterday suggested that the government cut short the chain of fertilizer distribution by allowing them to obtain the chemical substance directly from producers.

The president of the Association of Village Cooperatives Units (Inkud), Jeff Mustopha Atmaja, told a hearing with Commission VII of the House of Representatives here that the current system of fertilizer distribution, which allows cooperatives to get fertilizer from warehouses at the regency level, cannot guarantee smooth and punctual distribution of fertilizer to farmers.

Indonesia currently has six fertilizer producers and the government has assigned one of them, PT Pupuk Sriwijaya (Pusri), as distributor for urea fertilizer, and another one, PT

Petrokimia Gresik, as distributor for TSP/SP-36, ZA fertilizers. The two distributors, according to the Minister of Trade's decree No. 182/KP/VIII/1995, are responsible for the transportation of fertilizers from producers to warehouses at regencies throughout the country, where Inkud's members — village cooperatives units (KUD) — can procure fertilizer for distribution to farmers.

Jeff said Inkud's proposal, if put into practice, would cut distribution lines, and KUDs' direct contacts with farmers would guarantee a smooth distribution of fertilizer to end users. "Such a distribution system, therefore, would help prevent the possible recurrence of supply shortages," he said.

Fertilizer shortages happened recently in some areas in Java

where farmers blamed nearby KUDs for having allegedly sold fertilizer to third parties.

Farmers, frustrated by the shortages of fertilizer supply in Trenggalek, East Java, even ran amuck and burned some KUD offices.

Jeff told reporters during a break at the hearing that Petrokimia plans to transfer the distribution of 1.5 million tons of TSP and ZA fertilizers per annum in Java to KUDs.

"The transfer of TSP and ZA distribution is slated to start in April," he said.

He said Inkud, with its 10,000 KUD members in the country's 27 provinces, will be capable of improving their role in fertilizer distribution, adding that Inkud will need a loan of Rp 300 billion (US\$130 million) for improvements. (kod)

Jakarta Post. 15-2-96

Govt welcomes fertilizer distribution proposal

JAKARTA (JP): Village cooperatives will soon become more active in the distribution of fertilizers.

Director General of Food Crops and Horticulture Amrin Kahar said his office is in favor of the idea up to the consumer level, but emphasized that the village cooperatives involved in distribution should belong to farmers.

"Fertilizer distribution should ideally be done by farmer-owned cooperatives so the farmers can enjoy the profits...I welcome the proposal because I'm on the farmers' side," he said on Tuesday.

Executives of the Association of Village Cooperative Units (Inkud) said on Tuesday that village cooperatives, for example, hope to take over the distribution of superphosphate-36 (SP-36) fertilizer from state-owned PT Petrokimia Gresik.

Inkud's president, Jeff Mustapha Atmaja, said the cooperatives would first handle distribution in Java and, if successful, expand to other islands.

In two years, he said, Inkud should be able to handle fertilizer distribution for the entire country.

Jeff said that if the proposal is approved Inkud would begin distribution by April.

The distribution of fertilizers is currently carried out in four stages.

The first level involves the transportation of fertilizer from producers to shipping ports; the second from ports to storehouses owned by producers in regencies; the third from storehouses to village cooperatives; and the fourth from village cooperatives to consumers or farmers.

The first three levels are presently carried out by Petrokimia (for TSP, SP-36 and ZA fertilizers) and state-owned fertilizer manufacturer PT Pupuk Sriwijaya (for urea fertilizer).

The third and fourth levels

are overseen by "distributor-cooperatives", which transport the fertilizer from storehouses to "dealer cooperatives". The latter then sell directly to farmers.

Capital

Jeff said that to carry out its proposal, Inkud would need an additional Rp 300 billion (US\$131 million) to cover such operational costs as transportation and packaging, which are currently handled at storehouses.

The issue of fertilizer distribution emerged after the widely reported country-wide shortages of fertilizer, which continued until last month.

The government said the shortages were caused by an early planting season this year, and inability fertilizer producers to meet demand.

Inkud executives said the shortages occurred at the third (storehouse) level.

Inkud chairman Rapi'i said that currently the cooperatives can do nothing to overcome the supply shortages because the present system does not allow them to buy fertilizer directly from the first or second levels.

Rapi'i suggested that it would be more effective and cost-efficient if Inkud handled the overall distribution lines, so news of any shortages would be reported directly to producers. (pwn)

March 4

Govt must take measures to keep rice prices intact

JAKARTA (JP): The government must make an all-out effort to keep rice prices from falling below the official floor price so farmers are protected against unfavorable market conditions, an agricultural economist says.

Bungaran Saragih, the director for the Bogor Agricultural University's Center for Development Studies, said the National Logistic Agency (Bulog) has committed itself to stabilizing rice prices and this should be done so at all costs.

"This is an promise the government must keep. There should be no excuse, such as lack of funds, for them not to do it. That's only fair," he told *The Jakarta Post* over the weekend.

Saragih acknowledged that although the present situation was good for the country's rice stock, it is bad for farmers if it means they receive extremely low prices for their rice.

The Ministry of Agriculture's Director General of Food Crops and Horticulture, Amrin Kahar, said last week that national rice production from the 1995-1996 planting seasons was estimated to exceed the targeted 51.1 million tons of unhusked rice.

Until the end of last year, production had already reached 49.8 million tons.

The Central Bureau of Statistics had earlier predicted rice production for the current planting season to grow by 3.89

percent from the previous year's 46.5 million tons.

But until last year, the Agricultural Ministry had already recorded an increase of up to 6.9 percent.

Amrin said some seven million hectares of rice fields were ready to be harvested later this month and the yield was expected to exceed the amount targeted for the country's rice stock.

Head of Bulog Beddu Amang said earlier last week that Bulog's warehouses were ready to accommodate all the rice it had bought from farmers that was needed to keep prices stable.

Nervous

Saragih said Bulog seemed "nervous" this year, after having failed three years ago to procure enough rice for the national stockpile (two million tons).

In 1993, Indonesia lost the self-sufficiency in rice it had enjoyed since 1984, because rice production dropped due to floods, droughts and diseases. Since then, Indonesia has had to rely partly on imports.

In an attempt to establish a buffer stock to bring down prices, Bulog was forced last

year to relax quality standards for rice bought from farmers.

Bulog's imports of rice for the current planting season, according to sources, has so far reached some 3.6 million tons. Beddu said imports of foodstuff, based on contracts signed last year, would continue arriving until around April.

Saragih said the huge imports, which arrived together with this year's massive rice production were a consequence of "inaccurate predictions".

"There is nothing much we can do. The fact is that the climate has been good for rice. Now the government must not let prices go into freefall," he said.

Observers are skeptical whether the government can keep its promise to buy and store all the rice from farmers. Others say Bulog will probably just tighten quality requirements for the rice it buys from farmers.

"A lot of money will be needed this year for rice procurement and I am sure it will be a very tough job for the government," he said.

"But it's good that we have so much rice, especially since we will soon be having general elections," Saragih added. (pwn)

Jakarta Post

Feb. 27, 1996.

Cooperatives to help secure national rice stocks: Official

JAKARTA (JP): The Ministry of Cooperatives and Small Enterprises will prepare 2,583 village cooperatives (KUD) and Rp 144 billion (US\$62.88 million) to assist the government in building up national rice stocks, an official says.

Minister of Cooperatives and Small Enterprises Subiakto Tjakrawerdaya said the KUDs would help the government to buy rice from farmers, thus contributing to the national food stock which is expected to reach 1.7 million tons of rice equivalent this year.

"We can optimize the KUDs' operations because it seems that the current harvesting season is taking place at the same time across the country," he was quoted by *Antara* as saying.

Subiakto's remarks came as a response to recent news reports which said KUDs were not

quick enough to buy rice from the farmers and, as a result, were outdone by brokers.

The rice-harvesting season started almost simultaneously in various parts of the country about two weeks ago.

Subiakto said the 200 KUDs operating in rice-producing areas, especially in the northern coast of Java, have clinched deals to provide credits for procuring rice for the national stocks.

The government earlier this month raised the floor price of unhusked rice by Rp 50 to Rp 450 (19.9 U.S. cents).

The new floor price raised the price of unhusked rice to be paid by KUDs by 12.02 percent to Rp 466 per kilogram and other buyers by 11.02 percent to Rp 460 per kg.

The price of husked rice also increased by 12.33 percent to

Rp 738 per kilogram for KUDs and by 11.96 percent to Rp 730 for other buyers.

The National Logistics Agency, which is charged with maintaining the price stability of several important foodstuffs including rice, reported that its rice stock last month reached 1.82 million tons.

The stock came from procurement from farmers, imports and carry-over stock from last year.

Last year, the logistics agency had to relax its quality threshold for rice to be procured from farmers. Farmers at that time were more interested in selling their grain to the market, which offered more favorable prices.

Late last year, the price of rice soared in various areas across the country, causing the government to postpone the annual increase in rice prices. (pwn)

JICA-JAPAN INTERNATIONAL COOPERATION AGENCY
JA/ZENCHU-CENTRAL UNION OF AGRICULTURAL COOPERATIVES-JAPAN
MINISTRY OF COOPERATIVES AND SMALL ENTERPRISES DEVELOPMENT
GOVERNMENT OF THE REPUBLIC OF INDONESIA

STUDY ON INTEGRATED DEVELOPMENT OF RURAL COOPERATIVES-KUD
IN THE REPUBLIC OF INDONESIA 1996-1997

ECONOMIC BUSINESS OF KUD INCLUDING AGRO-PROCESSING SECTOR

**ABBREVIATIONS &
PHRASES USED IN THE REPORT**

ABBREVIATIONS AND PHRASES USED

01 abbreviations and Phrases

Agunan	Collateral
AMKOP	Akademi Managemen Koperasi/ Academy of Cooperative Management (operated by the Cooperative Movement)
Apegti	Asosiasi Penyalur Gula dan Terigu Indonesia/ Association of Sugar and Wheat Distributors
BALATKOP	Balai Latihan Perkoperasian/ Provincial Cooperative Training Centre [operated by the Government]
'Bandar'	A person who collects goods to be sold in the market - a sort of middleman between the farmer and the open market.
BIMAS	Bimbingan Massal/Mass Guidance Programme
BPPC	Badan Penyangga Pemasaran Cengkeh/National Cloves Buffer Stock (a government agency which works in collaboration with the Inkud)
BPD	Bank Pembangunan Daerah/Regional Dev Bank
BPR	Bank Perkreditan Rakyat/People's Rural Bank
BRI	Bank Rakyat Indonesia/ State-owned People's Bank.
Bupati	Head of the District/Kepala Kabupaten
BUKOPIN	Bank Umum Koperasi Indonesia/ A commercial bank owned by cooperatives
BULOG	Badan Urusan Logistik/ National Food Agency/ (DOLOG=Regional Depot of Bulog)
BUMN	Badan Usaha Milik Negara/State-owned company
BUUD	Badan Usaha Unit Desa/ Village Business Unit Agency
Camat	Head of the Sub-District/Kecamatan
CI	Corporate Identity

Desa	Village
Dekopin	Dewan Koperasi Indonesia/ National Cooperative Council of Indonesia - a national apex, representing all types of cooperatives.
Dekopinwil	Provincial level branch office of the Dekopin
Dekopinda	District level branch office of the Dekopin
DepKop dan PKK	Department/Ministry of Cooperatives and Small Enterprises Development. (Also called DepKop)
-Kanwilkop -Kandepkop	Provincial Office of DepKop District Office of DepKop
Dolog	See BULOG
GBHN	Garis Garis Besar Haluan Negara/ Broad Guidelines of State Policy
Gotong Royong	The basic concept of working together in Indonesian community life
GKG	Gabah Kering Giling/ Dry paddy ready for milling
GKS	Gabah Kering Simpan/Dry paddy in warehouse
GKSI	Gabungan Koperasi Susu Indonesia/ Union of Indonesia Dairy Cooperatives
GKP	Gabah Kering Panen/Paddy soon after harvest
GUSIR	Gula Pasir/Sugar
ICA	International Cooperative Alliance - a non- governmental international confederation of all types of cooperatives world-wide
IDACA	Institute for the Development of Agricultural Cooperation in Asia-Japan. It is an international research, training and development institution promoted by the Agricultural Cooperative Movement of Japan under the patronage of the JA-Zenchu.
IKOPIN	Institute Manajemen Koperasi Indonesia/ Cooperative Management Institute of Indonesia
INPRES	Instruksi Presiden/Presidential Instruction

INKUD	Induk Koperasi Unit Desa/ National level federation of KUD
IPS	Industri Pengolahan Susu/ Private milk processing industry
JA-Zenchu	Central Union of Agricultural Cooperatives- Japan - a national apex of agri cooperatives
JICA	Japan International Cooperation Agency (of Government of Japan)
Kabupaten	District
KAI	Koperasi Asuransi Indonesia/ National Insurance Cooperative
KaKanwilkop	Head of the Provincial Cooperative Office
KaKanDepkop	Head of the District Cooperative Office
KADARKUM	Village level group on Family Law
KCK	Kredit Candak Kulak/ Small Traders Credit (short-term credit system operated through the KUD)
Kecamatan	Sub-district
Kelompok Pencapir	Radio/TV Listening Group
Kelompok Tani	Farmers' Groups
Kiosk	Sales Outlet of a KUD
KJUB	Koperasi Jasa Usaha Bersama/ A secondary level cooperative business organization
KOPKAR	Koperasi Karyawan/Employees' Cooperative
KOPTI	Koperasi Tahu Tempe Indonesia/ Soybeans Processing Cooperative at primary level
KOSIPA	Koperasi Simpan Pinjam/ Savings and Loans Cooperative
KOWANI	Kongres Wanita Indonesia/ Indonesian Women Congress
KJA/N	Koperasi Jasa Audit/ National level audit cooperative. There are provincial level KJA as well.

KSU	Koperasi Serba Usaha/ Multi-Business Cooperative
KUD	Koperasi Unit Desa/ Village Unit Cooperative [primary level multipurpose rural cooperative]
KUK	Kredit Usaha Koperasi/ Small business credit programme
KUT	Kredit Usaha Tani/ Farmers' Business Loan (extended through the medium of KUD)
LATPENKOP	Latihan Pendidikan Koperasi/ Institute of Cooperative Education (of Dekopin) at Bandung
Mandiri Inti KUD	Self-sustaining KUD (grading is based on a 13-point criteria designed by the Ministry of Cooperatives. The grading is: KUD, KUD Mandiri and KUD Mandiri Inti)
MOCSED	Ministry of Cooperatives and Small Enterprises Development of the Government of Indonesia (see also DepKop)
ODA	Official Development Assistance
OECE	Overseas Economic Cooperation Fund (of the Government of Japan)
Ojeg	A local term for motor-bike taxi driver.
Padi	Paddy
PAD	Pendapatan Asli Daerah/Real Local Income
Padi Ladang	Dryland Paddy
Padi Sawah	Wetland Paddy
Palawijaya	Secondary crops
Perum PKK	Perusahaan Umum Pengembangan Keuangan Koperasi/ State-owned finance guarantee company for cooperatives
Pertanian	Agriculture
-Dinas Pertanian	A provincial/district level agricultural service of the Government
Peternakan	Animal Husbandry

-Dinas Peternakan	A provincial/district level animal husbandry service of the Government
P4K	Proyek Peningkatan Pendapatan Petani Kecil/ Income-Generating Proj for Marginal Farmers
PIR	Perusahaan Inti Rakyat/Nucleus estate company
PJP	Pembangunan Jangka Panjang/ 25-Years Long-Term Plan of Indonesia
PKL	Penyuluh Koperasi Lapangan/ Cooperative Field Extension Officer
PLN	Perusahaan Listrik Negara/ State electricity supply corporation
PMU	Project Management Unit
PPL	Penyuluh Pertanian Lapangan/ Agricultural Extension Officer
PPPA	Perkumpulan Petani Pemakai Air/ Association of Water User Farmers
PPS	Penyuluh Pertanian Spesialis/ Specialist Agricultural Extension Officer
PTP	Perusahaan Terbatas Perkebunan/ State-owned estate company
PT	Perusahaan Terbatas/limited company
PT Pusri	PT Pupuk Sriwidjaja/a State-owned fertiliser producing company - the main distributor of chemical fertiliser in the country
PUSKUD	Pusat Koperasi Unit Desa/ Provincial level business federation of KUD
PUSLATPENKOP	Pusat Latihan dan Penataran Perkoperasian/ National Coop Training Centre of DepKop
RDKK	Rencana Definitif Kebutuhan Kelompok/ Definitive Plan for Farmers' Needs
REPELITA	Rencana Pembangunan Lima Tahun/ National Five Year Development Plan
RMU	Rice Milling Unit
SAPROF	Special Assistance for Projects Formulation (of Government of Japan)
SHU	Sisa Hasil Usaha - Net Business Surplus

SWKP	Simpanan Wajib Khusus Petani/ Special Compulsory Savings of Cloves Business
SNF	Solids Non-Fats (term used in dairy business to determine the quality of fresh milk)
TNC	Tata Niaga Cengkeh/Cloves Business Agency
TPK	Tempat Pelayanan Koperasi/ Cooperative Service Place operated by the KUD
TPSP	Tempat Pelayanan Simpan Pinjam/ Savings and Loans Operating Place
TRI	Tebu Rakyat Inti/ Smallholders Sugarcane Growers
USP	Unit Simpan Pinjam/Savings and Loans Unit
UUO	Unit Usaha Otonom/Autonomous Business Unit
Waserda	Warung Serba Ada/KUD Retail Shop
Wartel	Warung Telekomunikasi (Telephone Kiosk/Post) (also operated by KUD)

02 Useful References

01 Economic Development Plans (of Indonesia)

Five-Year Development Plans (Repelita)

Plan-I	1969-1970	-	1973-1974	25-Year Plan-I
Plan-II	1974-1975	-	1978-1979	
Plan-III	1979-1980	-	1983-1984	
Plan-IV	1984-1985	-	1988-1989	
Plan-V	1989-1990	-	1993-1994	
Plan-VI	1994-1995	-	1998-1999	25-Year Plan-II
Plan-VII	1999-2000	-	2003-2004	
Plan-VIII	2004-2005	-	2008-2009	
Plan-IX	2009-2010	-	2013-2014	
Plan-X	2014-2015	-	2018-2019	

02 Japan-Indonesia Umbrella Cooperation Plans

Plan-I	1981	-	1985
Plan-II	1986	-	1990
Plan-III	1995	-	2000

03 Bahasa Indonesia Currency Terminology

1,000,000,000	Miliyar	=	Billion
1,000,000	Juta	=	Million
1,000	Seribu	=	Thousand
100	Seratus	=	One hundred
10	Sepuluh	=	Ten
1	Satu	=	One

04 Administrative Terms

Propinsi	=	Province
Kabupaten	=	District
Kotamadya	=	Municipality
Kecamatan	=	Sub-District
Desa	=	Village

05 Technical Notes Relating to Agriculture

- WETLAND consists of irrigated wetland, rain-fed wetland, tide-based wetland, swampy areas etc.
- PADI SAWAH is paddy which grows in wetlands. PADI LADANG is paddy which grows in shifting land/wasteland/gardens.
- Since 1989 the conversion factor from milling un-husked rice to rice is 65%, and before 1989 the conversion was 68%.
