

PROCEEDING

International Workshop “Agricultural Finance for Rural Development and Sustainability”

IPB International Convention Center, Bogor – Indonesia
20-21 November 2014

Editor :

Dwi Rachmina

Anna Fariyanti

Netti Tinaprilla

Amzul Rifin

Siti Jahroh

Suraya Hanim Mokhtar

Ian McDonald



Organized by
Faculty of Economics and Management
Bogor Agricultural University



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PREFACE

The food and agriculture sector has been successful in feeding an increasing and wealthier population in many parts of the world. With the introduction of policy reforms, new technologies and management practices, Asia's food production grew by leaps and lifted millions of people out of food insecurity and poverty. However, the vast majority of the people living in rural areas of developing countries who depend on agriculture for their livelihoods continue to earn meager incomes and be in abject poverty. This is primarily a result of the small size of operational land holdings; poor access to technology, capital and extension services; and extremely high risks and high transaction costs in participating in markets. As a consequence, rural farm households often engage in subsistence or near-subsistence agricultural practices and produce only a small marketable surplus.

Enhancing the system of agricultural finance including the banking sector and micro-financial instruments has been increasingly recognized as a potential vehicle for enhancing agricultural productivity; encouraging the adoption more commercial-oriented production systems and smallholder market participation; and removing the bindings constraints faced by smallholders such as lack of access to modern technology, poor knowledge on modern farm management and marketing practices. The available knowledge on agricultural finance is highly compartmentalized primarily due to lack of effective communication between the financial services industry, agricultural scientists, policy makers, extension workers and the academic community.

The Faculty of Economics and Management of the Bogor Agricultural University (FEM-IPB) in Indonesia, in collaboration with NICHE-Agribusiness and International Society for Southeast Asian Agricultural Sciences (ISSAAS) Indonesia had organized an international conference on *Agricultural Finance for Rural Development and Sustainability*, on November 20-21, 2014 at IPB International Convention Centre, Bogor, Indonesia. On

PREFACE

the first day, 20 November 2014, Dean of FEM-IPB delivered an opening speech explaining the background of seminar. Afterwards, Prof. Dr. Herry Suhardiyanto, Rector of IPB, conveyed a keynote speech and officially opened the seminar. He also launched a new research unit of International Trade Analysis and Policy (ITAP) of FEM-IPB. The first plenary session was moderated by Dr. Arief Daryanto, Director of Business and Management Graduate School IPB, with three speakers: Prof. Dr. Meine Pieter van Dijk (Maastricht School of Management, Netherlands), Prof. Dr. Hermanto Siregar (Bogor Agricultural University, Indonesia), and Dr Ian McDonald (Lincoln University, New Zealand). After lunch, parallel sessions were divided into several themes, i.e. Sustainable Agriculture and Entrepreneurship, Rural Development, Farm and Industry Level Analysis, Agricultural Finance, and Agricultural Marketing. On the second day, 21 November 2014, the second plenary session was moderated by Prof. Dr. Muhammad Firdaus, Vice Dean of FEM-IPB, with three speakers, i.e. Prof. Dr. Achmad Suryana (ICASEPS, Ministry of Agriculture of Indonesia), Dr. Suraya Hanim Mokhtar (University Putra Malaysia, UPM), and Prof. Dr. Bustanul Arifin (Lampung University and Chairman of PERHEPI). After lunch break and Friday Prayer, parallel session was divided into three themes, i.e. Farm and Industry Level Analysis, Agricultural Marketing, and Agricultural Finance. The closing ceremony was led by Prof. Dr. Muhammad Firdaus. There are some conclusions and recommendations from the seminar. First, there are many government regulations on the issue of agricultural finances, however they are lacking in implementations. Second, most of the farmers currently obtain the loans from the informal financial sector with relatively high costs of fund. Formal financial institutions are still needed by the farmers to meet the required working capital. Third, the farmers are actually bankable, thus the formal financial institutions should adjust their prerequisites to the agricultural sector, to give the farmers an access to assessing loans from the formal institution. Finally, involvement of private sectors in agricultural finance could also be increased.

PREFACE

This proceeding is documented some papers presented in the seminar. It is expected to feed directly into policy-making processes in Indonesia and elsewhere and also to contribute in agricultural development and farmers' welfare.

Bogor, November 2014

Yusman Syaukat



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THE DEVELOPMENT OF AGIBUSINESS REGION AT SUKABUMI

Burhanuddin, Dewi Sukma, Muhamad Baihaqi, Ali Mahsar

Bogor Agricultural University

Email: burhanipb@gmail.com

ABSTRACT

Indonesian agribusiness development is essentially inseparable from the development of the region, which includes all subsystems agribusiness (on-farm and off-farm). This study aimed to improve the competitiveness of agribusiness products in Sukabumi through development production centre of flagship products. Primary and secondary data were analyzed by using Location Quotient (LQ) method, Analytical Hierarchy Process (AHP), and comparison method exponential (MPE). The results showed that the central region in Sukabumi were Baros, Cibereum, and Lembursitu (BACILE). Based on the LQ analysis, the leading commodities of agricultural was organic rice, vegetables and ornamental plants, and nutmeg. Based on the AHP, the leading commodities of livestock were beef cattle, sheep/goat and quail. Based on the MPE, the leading commodities of fishery were catfish (222), pangasius (216), and nila fish (208). The development of increasingly advanced agribusiness region will lead to independence (self-sufficiency), and than will encourage the growth of self-confidence (self-reliance) to foster initiatives and independent attitude of the communities.

Keywords: Agribusiness, region, competitiveness, leading commodity

1 INTRODUCTION

Indonesian agricultural development basicaly can not be separated from the development of the region; because of spatial agricultural activities tend to be in certain areas, such as in Sukabumi. Agribusiness development of

Sukabumi City consists of several centers of activity that covers all agribusiness subsystem (on-farm and off-farm). Each of regions is related functionally and hierarkies from the village level – sub-district – city/district - the province - national.

In order to improve the competitiveness of agribusiness products required farm management efficiently and effectively, particularly in relation to post-harvest processing and marketing, such as through the development of production centers. Empowerment of farmers becomes easier in the central region. In addition, government assistancy will accelerate the transformation of knowledge and skills of farmers. Therefore, the model of agribusiness development of space and activities should meet the economic of scale, the leading commodity which is supported by comparative and competitive advantage, and has a principle focused, integrated, sustainable, and value-added.

The development of agribusiness region at Sukabumi City should start from identification of region resources (natural and human). Scenario development concerning of strategies, approaches, objectives and mechanisms of development must be clearly defined so that the overall scenario can be operated perceptibly (tangible). Orientation toward wisdom and agribusiness development of the area should be linked to market opportunities. Local agribusiness sector can be driven by diversification of agricultural product and create new added value that is based on the expansion of the global market (Rephann et al. 2013).

The development of agribusiness region has a harmonious relationship between the approach of top-down and a bottom-up that aims to achieve a multiplier effect (Keune 2001 and Ascani et al. 2012). Initiatives from grassroot can not be ignored, because it is an invisible hand in mobilizing resources as the main force to realize the development of agribusiness region of Sukabumi. The approach comes from the bottom is to mobilize local strenght, while the government should provide basic infrastructure and transparent policy (Stanton 2000). By this approach, throught optimally strived to change the cycle of challenges and comparative strenghts in society into regional development cycle of modern agribusiness. Therefore, this study aimed to improve the competitiveness of agribusiness products in Sukabumi through the development production centers of superior products.

2 METHODS

The study used primary and secondary data. Primary data was collected from farmers, while secondary data from the offices of the technical department of Sukabumi. Primary data were collected through interviews and Focus Group Discussion (FGD) using a questionnaire. Respondents were interviewed consisted of government officials, community leaders, farmers, investors, and others people were connected to the study.

In addition to the descriptive analysis, the data was analyzed by Location Quotient (LQ), Analytical Hierarchy Process (AHP), and Comparative Method Exponential (MPE). Analysis of the data by the method of analysis of location quotient (LQ) was performed to determine the basis for the development of commodities in every sub-district in the region. If the values $LQ > 1$, mean that the observed commodity is a commodity basis, meaning that the commodity becomes the basis of the sub-district development. If $LQ = 1$, mean that the commodity base of the districts was observed in the same commodity base with the district, whereas if $LQ < 1$, mean that the observed commodities are non-commodity basis, meaning that the commodity is not a major activity in these districts.

Method of Analytical Hierarchy Process (AHP) is a framework for making decisions effectively on complex problems by simplifying and fasting up the decision process. Exponential Comparative Method (MPE) is to determine the order of priority of the leading commodity alternatives with multiple criteria. The assessment criteria used were productivity, market potential, the number of actors, commodity prices, long maintenance, profit margins, water quality, water quantity requirements, the availability of seed, and the diversity of processed products.

3 RESULTS

3.1 The Region of Food Agribusiness

Based on questionnaire data and the results of the Focus Group Discussion (FGD), can be identified several weaknesses of organic rice business in the upstream sector that are limited of land, high price of land rented, no assurance that the seed used is produced organically, the difficulty to obtain

organic fertilizer (feces animals), limited water resources from Cipelang river. Types of organic materials used in organic rice cultivation are mostly animal waste, especially from cattle and sheep.

Organic rice productivity in Sukabumi relatively varies between farmers, ranging from 0.2 kw/acre to 0.6–0.7 kw/acre of wet grain. Organic rice price ranged between Rp330 000, – to 370 000 / kw of wet grain. In the form of dry paddy approximately Rp450 000 / kw, meanwhile the price of organic rice Rp850 000, - /kw.

Organic rice farmers also have challenges in the development of organic rice farming area because not all farmers want to switch to organic farming. As a result, farmers faced some difficulties to get organic certification. Other challenge in organic rice cultivation is the lack of farmer's knowledge on appropriate technology.

The proposed areas as organic rice center are subdistrict Lembursitu, Warudoyong and Cibeureum. The third area in accordance with the Spatial Sukabumi district includes areas for the development of food crops together with the sub-district Baros. Organic rice farming in subdistrict Lembursitu use water from the Cikaduwalang, Ciwalungun and Cipelang Rivers, while in subdistrict Warudoyong use water from the river and in subdistrict Cibeureum use water from Cibeureum Rivers. Water quality of these rivers has to assess in term of suitability for organic rice cultivation.

Basically organic rice production centre is characterized by the development of agribusiness, organic rice from seeding, rice production to consumption, and marketing of organic rice. The sustainable organic rice agribusiness area also is supported by the supporting sectors such as organic fertilizers, pesticides botanists, processing facilities and marketing promotion facilities. According Rephann et al. (2013), organic food is a trigger for growth of the local agribusiness.

3.2 The Region of Horticulture Commodities Agribusiness

Based on the LQ analysis, two subdistricts that are the basis of horticulture commodities are sub-district Lembursitu and Cibeureum (Table 1). Table 1 also shows the subdistrict Baros, Citamiang and Gunungpuyuh into base several commodities.

Table 1 Results analysis location quotient (LQ) commodities vegetables in Sukabumi

Commodities	Sub district							
	Warudoyong	Gunungpuyuh	Cikole	Citamiang	Baros	Lembursitu	Cibeureum	
Bean	0.31	2.15	15.91	0	0	2.24	0	
Big Chillii	0.69	0	0	0	8.92	2.21	0.56	
Mustard	0.37	1.33	0.51	1.93	3.98	0.46	1.49	
String bean	0.46	0.89	0.23	0	2.20	0.98	1.44	
Water spinach	1.42	0.68	0	0	0.11	1.01	0.87	
Cucumber	0.56	2.31	4.17	1.38	0.81	1.41	0.60	
Eggplant	0.64	0.72	0	0	0	0.91	1.52	
Tomato	0.49	0	0	21.64	0	0.51	1.80	

Based on the data, shows that production center of horticulture are subdistrict Warudoyong, Gunungpuyuh, Lembursitu and Cibereum. There is no specific vegetable around Sukabumi. Therefore, it is necessary to develop integrated farming (organic vegetable and organic rice) related to sustainable agriculture.

3.3 The Region of Animal Husbandry Agribusiness

Based on LQ analysis in Table 2, there three livestock commodities centers. Table 2 shows that the deployment of ruminant animals are dominant in three sub-districts Baros, Cibereum and Lembursitu (BACILE), though other subdistricts is also as base for other animals such as those in Sub Warudoyong, Gunung Puyuh and Citamiang. The areas in two sub-districts and Warudoyong, Lembursitu are base of beef cattle commodities. Nevertheless subdistrict of Lembursitu is as major commodity base for commodity beef with LQ value for livestock commodities reached 1.58.

Table 2 The LQ value of region commodity base of ruminant animals in Sukabumi

Sub district	Commodities				
	Beef cattle	Dairy Cattle	Buffalo	Sheep	Goats
Lembursitu	1.58	0.76	0.48	0.68	1.08
Baros	0.33	0	0.41	2.00	1.38
Cibereum	0.38	0.36	0.88	1.56	0
Warudoyong	1.47	0.08	0.86	0.96	2.60
Gunung Puyuh	0.17	0	0.75	1.56	1.18
Cikole	0.17	1.22	0.54	0.48	0
Citamiang	0.96	0.12	0.3	1.47	0.95

Dairy cattle are the basis for the subdistrict of Cikole with LQ value of 1.22. Subdistrict Cikole currently dairy development done by the community. Furthermore, sheep and goats are ruminant animal base in almost all districts in Sukabumi except for subdistrict of Cikole with LQ value below 1. It shows that these two livestock commodities are the most common animals' maintained by people in Sukabumi and can be the basis development of ruminant livestock apart of cattle and dairy cows.

In addition to ruminants, some poultry also have almost similar LQ value in all subdistricts (Table 3). For kampung chicken commodities, base

region present in the sub-district Citamiang, Cikole, Warudoyong and Gunungpuyuh. Meanwhile the majority of the broilers are in all subdistricts except the sub-district Cibereum and Baros. The opposite for laying hen commodity, which is as the base of poultry in those two subdistricts.

Based on AHP analysis, the priority of livestock commodities according to the perception of each stakeholder can be shown in Figure 1. There are three main commodities livestock development in Sukabumi, namely Beef Cattle (0.213), sheep/goat (0.173) and quail (0.135). The third production center of this commodity is BACILE, but that does not mean other districts can not be used as a center / base development, but it can be directed as a buffer area.

Table 3 The LQ value of region commodity base of poultry animals in Sukabumi

Sub district	Commodities		
	Kampong Chicken	Broiler Chicken	Layer hens
Lembursitu	0.32	1.28	0.69
Baros	0.92	0.04	1.37
Cibeureum	0.79	0.46	1.80
Warudoyong	2.28	1.26	0
Gunung Puyuh	2.82	1.41	0
Cikole	3.12	1.28	0
Citamiang	4.68	1.02	0

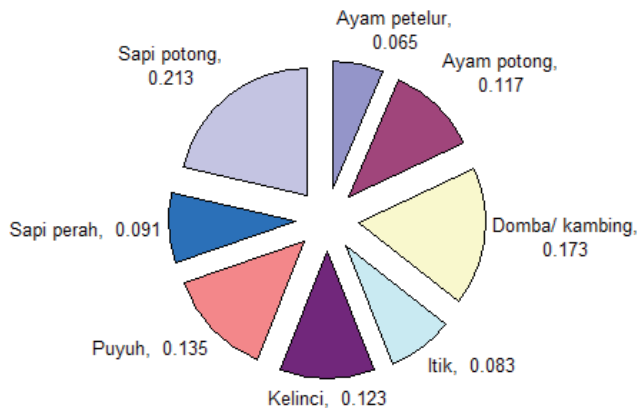


Figure 1 Priority development of livestock commodities in Sukabumi

Overall, the carrying capacity of ruminants shows a positive number that is 448.05 livestock units. This means the development of commodity in specific subdistricts can be improved of ruminant animals that spread over several subdistricts such as BACILE. Development of livestock commodities in urban areas should also be approached from the side of the efficient use of land by an integrated approach to the development of farming systems (integrated farming system).

3.4 The Region of Fisheries Agribusiness

Fishery agribusiness activities developed in Sukabumi is based on agribusiness freshwater fisheries. Currently, some freshwater fishery commodities, both consumption fish and ornamental fish, which have been and are being developed in Sukabumi, including catfish, carp, tilapia, and catfish for fish consumption, and the koi fish and lobster fresh water for ornamental fish.

Fingerlings production of consumption fish in Sukabumi in 2012 is higher than the fingerlings production of ornamental fish, both in terms of the amount of production and value of production. For consumption fish, position of tilapia fish is the top or the highest order, both for the amount of production (up 46.2% of the total production of consumption fish fingerlings) as well as to the value of production (up 53.1% of the total value of fish seed production consumption fish). This condition is one indication that tilapia is a favorite commodity or pledge Sukabumi.

Based on the analysis of MPE, it shows that the order value excellent fishery commodities ranging from largest to smallest, the catfish (222), catfish (216), tilapia (208), goldfish (201), pomfret (159), and carp (153) (Table 4). Thus, commodity that can be improved for the development of agribusiness systems freshwater fisheries in Sukabumi is catfish, catfish, and tilapia. Three excellent fishery commodities MPE calculation results are consistent with the aspirations and proposals of the farmers and freshwater fisheries Sukabumi submitted and concluded from the results of focus group discussions. However, three other fisheries commodities that are currently developed, namely carp, pomfret, and carp, still developed, although the proportion of development is not as big as three excellent fishery commodities.

Table 4 MPE value of fisheries commodities in Sukabumi

Paramenters	rating	catfish	tilapia	Patin / catfish	Gold fish	pomfret	carp
Productivity	8	3	3	3	3	2	2
Market opportunity	7	4	4	4	3	2	2
Number of farmers	6	3	3	2	3	1	1
Price	6	3	3	3	3	3	3
Time of maintenance	6	3	3	3	3	3	2
Profit margin/kg	7	3	3	3	3	2	2
Water quality	8	4	3	4	3	3	3
Water quantity	7	3	3	3	3	3	3
Fingerlings suply	8	3	3	3	3	2	2
Diversity of processed product	6	3	2	3	2	2	2
Total		222	208	216	201	159	153
Peringkat		1	3	2	4	5	6

In addition to the main fishery commodities as mentioned above, there are also other potential fishery commodities to be developed, both for food and ornamental fish, the freshwater lobster and ornamental fish, especially koi. Freshwater lobster has been cultivated in sub-district Citamiang and Warudoyong, while ornamental fish has been developing quite well in the subdistrict Citamiang, Cikole, Cibeureum, and subdistrict Warudoyong. The fishery commodities can become a commodity support in the development of agribusiness system fishery in Sukabumi City.

4 DISCUSSIONS

The third area-based agribusiness commodity above integrated with government's agribusiness service facilities in the form of Cigundul Agribusiness Region, Dairy Cattle Agribusiness, Slaughterhouse, Animal Clinic, Rice Seed Center, Local Fish Fingerlings Center, Sheep Fattening Agribusiness, Sub Terminal Agribusiness, Coldstorage, Rice Processing Complex, and the Animal Market. Integration with corridors BACILE and CICIGUWA can form of modern agribusiness area in Sukabumi.

Development of agribusiness region of Sukabumi City is divided into several corridors, namely:

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1. CORRIDOR OF ANIMAL I: Slaughterhouse, Animal Clinic, Local Fish Fingerlings Center, Animal Market and Fattening Sheep Agribusiness
2. CORRIDOR OF ANIMAL I: Animal Market, Sheep fattening Agribusiness, Beef Cattle Fattening, Dairy cattle agribusiness.
3. CORRIDOR OF OFF-FARM I: Slaughterhouse, Animal Clinic, Local Fish Fingerlings Center, Animal Market, Sub Terminal Agribusiness, Coldstorage, and Rice Processing Complex
4. CORRIDOR OF OFF-FARM II: Animal market, Sub Terminal Agribusiness, Coldstorage, and Rice Processing Complex
5. CORRIDOR OF PLANTATION: Tissue culture and Screenhouse, Sub Terminal Agribusiness, Coldstorage, and Rice Processing Complex
6. CORRIDOR OF CIKUNDUL AGROEDUTOURISM (CAE) (Table 5)

The development of agribusiness region needs to be supported by other facilities that can provide comfort to user community. In addition to the public can consume agribusiness products directly, they also can determine the production process from upstream to downstream. On the other hand, local governments of Sukabumi City can promote agribusiness excellent products and increase investment in the sector of food crops, horticulture, livestock, and fisheries. Investments that improve the capacity of farmers and integrate into the local and regional markets led to the agricultural sector as sustainable food, it is very important to develop the value chain and involve the small farmers in the process and profit (European Union, 2013). Therefore, regional development policies should be more holistic, centralized, and make strategic investments (Goldenberg, 2008).

The development of agribusiness region creates a more conducive business climate. Farmers as the main actors more secure in managing the farm. Farmer access to production input and government services more quickly and easily. According to Konig et al. (2013), the availability of skilled human resources, technology and utility infrastructure facilities (especially rural roads and storage facilities) is adequate, and the capacity to meet the standards of quality and food safety can be achieved. Therefore, the role of farmers in the

area of agribusiness development is crucial. Gennaioli et al. (2012) concluded that human resources are the determinants of the productivity of the region's development.

Table 5 The activities of CAE corridor

No	Facility	Location	The activities
1	Reception room (main shelter)	Lembursitu	Wellcome drink (syrup pala) Entertainment (welcome dance)
2	Organic paddy rice	Lembursitu	Plowing, planting rice, harvesting rice, repel birds, etc.
3	Vegetables	Lembursitu	Planting and harvesting
4	Ornamental plants	STA Cibeureum	Planting and maintaining plant Center for resting, lunch and pray
5	Livestock	Lembursitu-Baros-Cibeureum	Feeding animals, raising sheep, cattle, milking, processing of milk etc.
6	Fisheries	Lembursitu-Baros-Cibeureum	Feeding fish, fishing and ctahing fish etc
7	Rice mill	Lembursitu-Cibeureum	Rice milling activities
8	Greenhouse and tissue culture laboratory	Cikundul	Planting tissue culture, aklimatization, maintaining plant in greenhouse

The development of agribusiness region will determine the sustainability of socio-economic development of Sukabumi City. Community activities in each corridor will take supply-side economics agribusiness of local agribusiness sector, prompting the government to provide facilities and services are increasingly expanding business network. In other words, agribusiness products of Sukabumi City increasingly recognized and competitived. Hansford et al. (2003) stated that the competitiveness of the agribusiness sector is very important for the social and economic sustainability in the area of Australia. Therefore, the basic principle of regional agribusiness should not be developed independently, but should be holistic and progressive (Pike et al. 2007 and Mazdalifa et al. 2014).

The development of agribusiness in some corridors is an effort facilitating the public to understand the agribusiness sector that should not be abandoned. Land conversion, which as a major problem in the city does not mean to leave on-farm agribusiness sector. Therefore, the function of the corridor in the agribusiness area is to ensure the flow of knowledge and learning society in Sukabumi. The learning process of the objects that exist in each corridor is able to develop the creativity of the people to keep working in the agribusiness sector. According to Gust-Bardon (2012), the infrastructure that facilitates the flow of knowledge and learning, such as technology parks, business incubators, R & D institutions, and agencies are able to change the local business environment do 'creative destruction' that allows the local economy to grow. According to Suyanto (2008), the consistency of government policy led to the stronger performance of agribusiness in the development of the area. Therefore, the development of agribusiness region can increase the competitiveness of agribusiness products through an integrated and consistent agribusiness area management. The development of increasingly advanced agribusiness region will lead to independence (self-sufficiency), and then will encourage the growth of self-confidence (self-reliance) to foster initiatives and independent attitude of the communities.

5 CONCLUSION

Policy direction and orientation of agribusiness development in Sukabumi City should be designed integratively with a harmonious relationship between the top-down approach and a bottom-up approach to achieve a multiplier effect. Regional food agribusiness, horticulture, animal husbandry and fisheries, integrated in producing modern agribusiness products that are more competitive. The focus regions on agribusiness development is in the corridor of three subdistricts, namely Baros, Lembursitu, and Cibereum (called BACILE corridor), while sub-district as buffers is in subdistrict Citamiang, Cikole, Gunungpuyuh, and Warudoyong (called corridor CICIGUWA).

The development of agribusiness region in Sukabumi City in term of integrated production of excellent products requires the government's role in promoting and attracting investors. Furthermore, the development of agribusiness area gives a double effect on other development factors.

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