

Trip Report November 2008

Compiled by Dick Davison



1. Introduction

- 1.1. This report is a collection of personal comments and observations following a visit by Graham Robertson and Dick Davison to Toraja in November 2008. It is not comprehensive and draws on the author's two previous visits and other experience.
- 1.2. After four years and for Graham, six visits; with various adjustments to the focus of the project and to the way in which the assistance is to be delivered; the Toraja project is maturing into a very worthwhile endeavour with a clear set of objectives and a developing structure and personnel on the ground.
- 1.3. The original concept included passionfruit and coffee and was to engage with village growers through the established hierarchical structure. We now have limited our objectives to assistance with coffee husbandry, propagation and harvesting; with assistance delivered at village level with a limited group of growers through an established small NGO (non-government organisation).
- 1.4. The opportunity to assist with marketing and association with other aid organisations (especially in the area of micro-finance) remain an important work in progress.
- 1.5. It is our judgement that the people that are our partners on the ground in Toraja are competent and trustworthy, and that the growers have a better understanding of what we offer (and importantly, what we cannot offer).
- 1.6. The concept of a small project directly engaging at village level, with minimal administrative structure and intermediary cost is effective and builds on the experience and skills of a range of people in New Zealand and Indonesia.
- 1.7. Toraja is affected by the decline of tourism and given the number of Torajans working outside their district especially in the mining industry; the opportunity to generate cash income through village-based activity is given added urgency in the current world economic crisis.



2. Torajan coffee and its opportunities

2.1. The altitude (800 – 1,200 metres) and reputation of Toraja as a source of high quality Arabica coffee beans are recognised by the international market with the additional cachet of organic cultivation under canopy by village growers.



2.2. See the following websites for further information : <http://torajacoffee.com/> and <http://www.expatriot.or.id/info/coffeeinindonesia.html> and <http://www.keycoffee.co.jp/e/story/toraja.html> and <http://www.sweetmarias.com/coffee.indonesia.sulawesi.php>

2.3. The following is the Executive summary of



Australian Government
**Australian Centre for
International Agricultural Research**

Securing the profitability of the Toraja coffee industry

SADI-ACIAR research report

Published October, 2007

Prepared by Tony Marsh Coffee Consultant & Jeff Neilson University of Sydney

<http://www.aciar.gov.au/system/files/sites/aciar/files/node/3942/Final+report+SMAR-2007-200+%28Toraja%29.pdf>

Sulawesi coffee accounts for only a fraction of Indonesia's total coffee exports (about 2%), and yet this regional production centre is an important supplier of the rapidly growing international specialty coffee sector. Coffee roasters, in the key markets of Japan and the United States, coordinate global supply chains to ensure access to high-quality Arabica coffee grown by smallholders in upland Sulawesi. Competition amongst buyers can be intense, particularly in the preferred growing District of Tana Toraja (widely known simply as 'Toraja'). Despite substantial foreign investment in both plantations and milling operations in the District, annual production in Toraja is limited to some 2,000 tonnes and yields are very low by global standards (perhaps only 150kg of processed green beans per hectare). Given the strong international demand for this coffee, there exists significant potential to raise rural incomes through: i) enhanced farm productivity, and ii) improved farmer organisation leading to improved prices. There are, however, major constraints to increasing farm productivity in Toraja, and current farm-gate prices are already some of the highest in the world.

Shifting consumer demands in major world coffee markets have resulted in the emergence of various certification schemes related to sustainable coffee production. This wider development is now starting to exert a major influence on the way coffee is produced and traded in Sulawesi. The increasingly small numbers of active coffee



exporters in Makassar are moving to initiate tightened upstream linkages with growers to ensure an adequate supply of high quality coffee, and to facilitate impending certification requirements. Farmer organisations in the coffee districts of Sulawesi are poorly developed at present and coffee farmers are not linked to a functioning extension service. The increasing willingness of several major buyers, therefore, to engage directly with coffee farmers in Sulawesi suggests the potential for developing an 'Industry Partnership' focused around farmer access to improved technologies. A potential threat to the competitive buying environment in Sulawesi coffee markets, however, is the potential for certification processes to lead to the capture of producer groups by downstream interests. Whilst most industry actors agree that the market could easily absorb increased production from Toraja, the challenges to improving yields are substantial. Farm-gate prices in the markets of northern Toraja have increased from an average of Rp3,300 / litre in 2003 to Rp8,000 / litre in 2006, due to a combination of rising world markets and increasing buyer interest. And yet, these prices have not stimulated a corresponding heightened interest in improved coffee cultivation. Whilst new coffee plantings are evident adjacent to, and often within, the remote forest areas of Toraja, this reflects a continued extensification of agriculture rather than a shift to more efficient production. A key issue is the need to better understand farmer decision-making processes and incentive structures within Toraja to encourage improved farm practices, mitigate against deforestation, and ultimately increase productivity and household income.

The legal protection of the *Toraja* or *Kalosi* trade names, through the establishment of a Geographical Indication (GI), offers the potential to increase value retained within the growing community. However, the establishment and monitoring costs of such an activity would be substantial, and current institutional settings within Sulawesi are probably not yet conducive for such a development. Effective regional brand management within specialty coffee markets is certainly vital in the long term, and the development of industry support structures should be considered to assist the industry move in this direction.

- 2.4. There is little doubt that Toraja can produce excellent coffee confirmed by the presence of a Japanese plantation company Toarco. Increasing production and improving agronomic management and post-harvest treatment seems to have been a challenge for some time.

3. The challenges of external aid efforts

- 3.1. The post WW II period is littered with failed attempts by well-meaning expatriate aid organisations to improve the well-being of "developing" countries. Usually the failure relates to inappropriate and / or over-ambitious projects imposed upon a bewildered local population. The addition of religious, military and strategic objectives mixed with incompetence, cultural ignorance and insensitivity has produced a poor outcome and a betrayal of the sense of hope that often drives the good intentions.



3.2. This is not a reason for giving up. The lessons of these less than satisfactory efforts provide support for projects that are simple, involve local people and avoid cumbersome intermediaries.

3.3. The incentive for the Torajan communities that we are working with to improve coffee cultivation are simply to generate cash at village level by improvement in an existing enterprise.

3.4. When asked what they would use additional income for, the women responded:

Extra food (probably rice)

Education

3.5. Our measure of success could include the ability of families to provide secondary schooling for their daughters and combined with others create local savings schemes to avoid the clutches of the moneylenders.

3.6. The Torajan people total some 500,000, they have a proud and distinctive culture, have adopted and adapted Christianity; forming a self-reliant part of the complex Indonesian nation.

3.7. We are working through a small (8 people) local non-government organisation, Jalesa; who we have confidence in and have a track record with other projects. To guide us along the process we have enlisted expertise from Nick Alexander, an experienced aid worker and a superb local professional, Rahmad Syakib, who has recently been promoted to head the Eastern Indonesian operation of the World Bank <http://www.ifc.org/pensa/>



3.8. Syakib provides what we cannot offer; intimate local knowledge combined with seasoned professionalism in the business of village based enterprise development.

4. Where to from here?

4.1. We have:

- narrowed our focus to coffee cultivation and post-harvest treatment
- identified a group of growers and contracted Jalesa to assist them



- established a direct connection at village level and enlisted expert advice to monitor progress
- gained recognition by NZAID as an approved organisation able to access a 4:1 co-payment
- an established group of supporters, appropriate legal structures and a professional administrator
- an exciting and interesting story to encourage continuing support.

4.2. Some fine-tuning is appropriate including the establishment of a website and it may be sensible to engage with the New Zealand and Indonesian embassies in Jakarta and Wellington.

4.3. In the New Year, we can set up meetings of supporters and potential supporters using the distinctive nature of the project and the outstanding landscape and people of Tana Toraja.



5. Random observations

5.1. Indonesia has experienced a period of relative quiet and economic progress in the past year or so, following the dramatic events of the Bali bombing and tsunami. The current world economic turmoil will disrupt that stability, but the effects may be muted in the highlands of Toraja. The greatest impact may be from a reduction in remittance payments from family members employed in mining and other employment outside Toraja.

5.2. We travelled to Indonesia this time in the face of “extreme” travel warnings by the New Zealand Foreign Affairs authorities; no doubt prompted by the risks associated



with the execution of the “Bali bombers”. We had no issues and it is worth noting that the troubles in Thailand, Mumbai and Greece are in places that had lesser-perceived risk. Apart from the risk of delay at airports and the seeming lack of any traffic regulations; the major issue with a trip from NZ to Toraja is the complex itinerary that includes stops at Singapore / Bali and a 7-hour road trip from Makassar to Toraja.

5.3. Accommodation in Rantepao at the Misiliana Hotel is of a high standard and very reasonable in \$NZ terms. An ironic issue is the quality of the local method of coffee drinking which is very strong and sweet with a suspicion that the beans are burnt. Unfortunately the nearest espresso machine is in Jakarta airport. Given the quality of the beans, this is a bit distressing!



5.4. 2009 is election year in Indonesia with the local population very proud of progress to popular democracy following decades of colonial exploitation and military dictatorship. The myriad parties and candidates are already on the hustings. It seems that a genuine effort is being made to reduce corruption and this is strongly endorsed by the people we meet.



Torajan Assembly Building

Dick Davison
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