

## INTRODUCTION

### Indonesian agriculture at glance

- Total inhabitants of 237 mio. people<sup>1</sup>
- Fruit and vegetable production's growth is 17% and less than 1% respectively<sup>2</sup>
- Seasonal production; mostly in individual families' garden
- Mainly sold to local markets and big cities nearby
- A high share of fruit-vegetable (80% of fruit and 20% of vegetable) sold through supermarkets are imported products.

### Problem statements

Current multi-layer distribution system is considered as one of the obstacles causing inefficiency and low productivity in the marketing of locally produced fruits and vegetables. This results in some consequences and challenges:

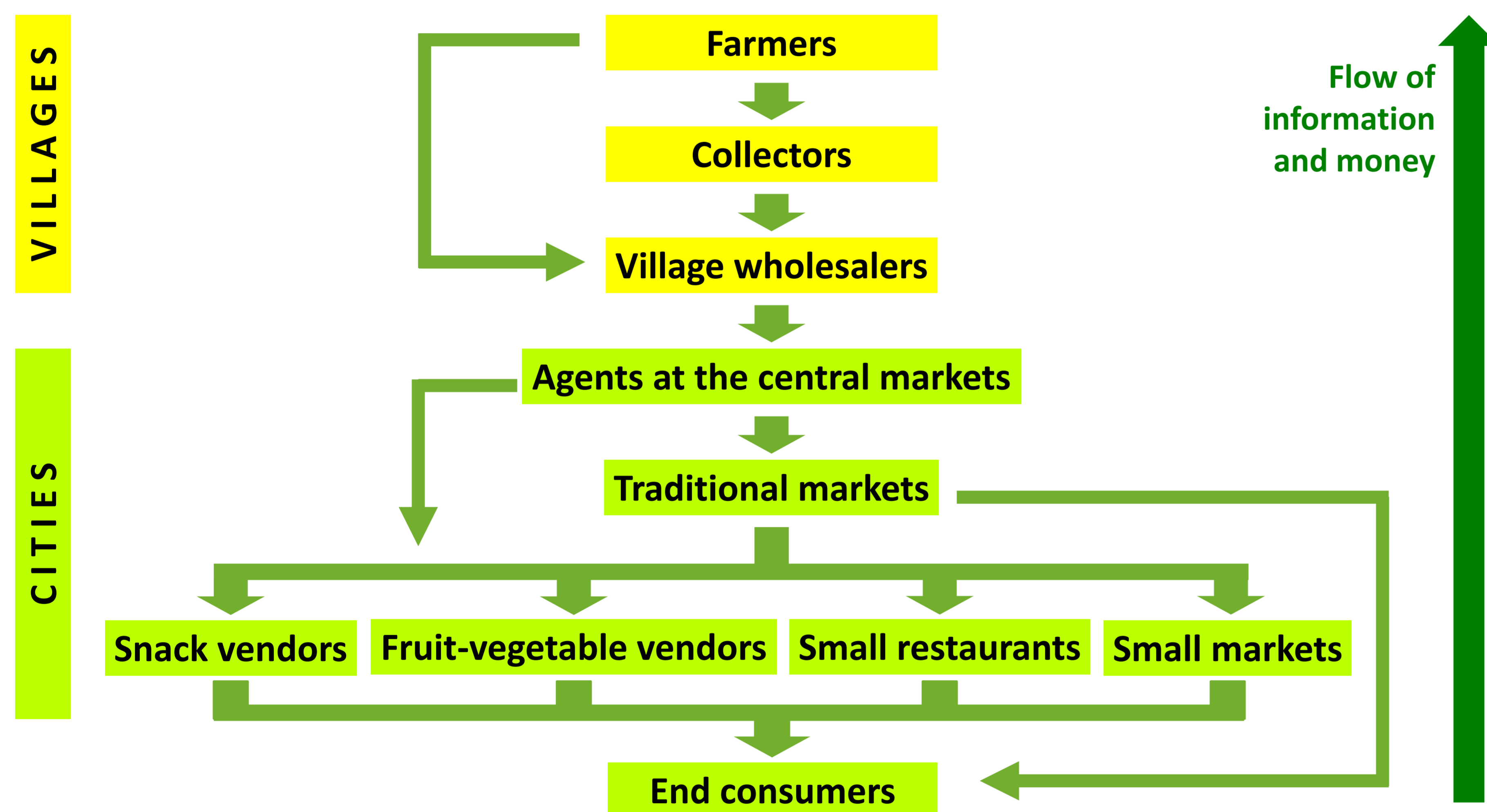
- Locally produced fruits and vegetables cannot compete in term of price and quality with imported ones.
- Multi-layer system may impede in providing consumers with a better product's quality, accessibility and availability.
- It has difficulty in responding to the shift of supply-chain from traditional (wet markets) to modern one (modern retails and supermarkets).

### Objectives

- Identify and observe the multi-layer distribution system in Indonesian fruit-vegetable sector
- Explore some possible alternative solutions for a more effective and efficient fruit-vegetable supply-chain

## MULTI-LAYER DISTRIBUTION CHANNEL

### Typical fruit-vegetable supply-chain in Indonesia<sup>3</sup>



### Advantages

- A help for small farmers to market their products in relatively broad areas
- Employment opportunities for individuals to act as collectors/ agents

### Disadvantages

- Higher risks of products' quality reduction
- Higher transaction costs
- Requirements of more advanced technical equipments
- Limited information flows
- Information asymmetry
- Power asymmetry between agents and farmers

## POSSIBLE FUTURE-IMPROVEMENT'S MEASURES

### Expand contract farming

Increase implementation of contract farming to strengthen vertical coordination in the agrifood chain

### Reposition cooperatives

Restructure or reposition the existing cooperatives which are currently inactive or lacking of self-reliance

### Integrate consumer-oriented policies

Understand the consumer's need better and integrate consumer-oriented policies in all supply channels

### Collaborate with modern supply-chain players

Develop better access for collaboration with modern channels, either directly or through marketing agribusiness enterprises

### Create producer organizations

Utilize various forms of producer organizations to strengthen the bargaining power of smallholder farmers

### Improve political situation

Enhance political stability and redesign governmental policies with more focus on horticulture sector and bottom-up management approach

### References

<sup>1</sup> BPS (2011) *Statistical Yearbook of Indonesia 2011*. ISSN: 0126-2912

<sup>2</sup> BPS (2012) *Horticulture production*. Available at: [http://dds.bps.go.id/eng/aboutus.php?tabel=1&id\\_subyek=55](http://dds.bps.go.id/eng/aboutus.php?tabel=1&id_subyek=55) accessed on 21 August 2012

<sup>3</sup> Singgih, S. and E.J. Woods (2004) *Banana supply chains in Indonesia and Australia: Effects of culture on supply chains*. ACIAR Proceedings No. 119e