

### Summary

In contrast with the rich biodiversity, the strong focus on single commodity in Sulawesi, such as maize, is leading to 'boom or bust' cycles where downturns occur after periods of rapid growth. These cycles exacerbates the condition of most of the rural communities who subsist at low economic levels. Based on a case study in South and Southeast Sulawesi, smallholders managing their own non-timber products typically lack established marketing strategies and are unaware of the underlying competition. This study investigates the lesser-explored smallholders' non-timber products to provide better understanding on how farmers and other value chain actors at smallholder level develop strategies for value creation.

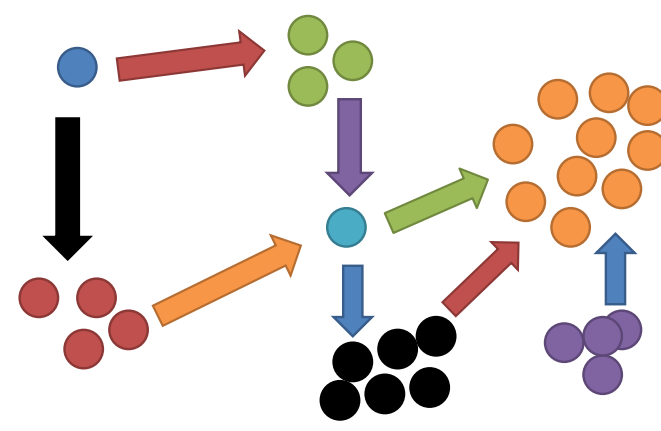


### Study site

This study took place in two provinces, South Sulawesi in the mountainous Bulukumba and Bantaeng districts, and Southeast Sulawesi in Konawe and Kolaka districts.

### Survey Method

The survey used the Rapid Market Appraisal (RMA) method to identify and appraise the product flow from production to consumption. Snowball sampling was used to identify involved market agents, relying on the respondents to provide information about other individuals in their marketing networks. Focus group discussions with farmers and traders were conducted at each survey site.



### Findings

Table 1. Total area and production of non-timber products in Bulukumba and Bantaeng

Crops	Total area (ha)		Total production (tonnes year <sup>-1</sup> )	
	Bulukumba	Bantaeng	Bulukumba	Bantaeng
Cacao	4 200	2 894	3 221.5	853.8
Candlenut	55	2	21.0	
Cashewnut	405	325	403.0	181.1
Cloves	2 138	636	1 435.0	287.6
Coconut	6 966	355	2 956.7	314.7
Coffee	2 084	2 847	963.6	1470
Pepper	1 162	35	751.6	5.3

Sources: BPS Bantaeng (2010), BPS Bulukumba (2010)

Table 2. Total area and production of non-timber products in Kolaka and Konawe

Crop	Total area (ha)		Total production (tonnes year <sup>-1</sup> )	
	Kolaka	Konawe	Kolaka	Konawe
Cacao	61 647	14 796	21 961.7	5406.5
Pepper	1782	3653	1237.8	1179.5
Coconut	1461	7474	809.6	3226.0
Coffee	1056	1724	693.1	403.4
Cashewnut	856	11 910	51.3	5085.1
Sago	448	2081	2095.2	2004.4
Candlenut	402	456	741.9	108.9
Cloves	291	778	13.1	131.2

Sources: BPS Kolaka (2010), BPS Konawe (2008)

### Coffee (*Coffea robusta*)

Coffee is the main product of Campaga village, Bantaeng district. In other areas in Kolaka and Konawe districts, coffee is produced in lower volume.

Farmers usually acknowledge the price from collectors, not directly from the market. Collectors usually do not add value to the coffee beans. They will directly sell the beans to large-scale traders, either in the nearest town, or in Makassar.



### Clove (*Syzygium aromaticum*)

This crop can be found in upper Bantaeng district, such as in Tompobulu and its surroundings, all the way to the east to the border with Bulukumba district, at Borong Rappoa village. Dried leaves are also collected for oil processing.



Dried leaves are also collected for clove leaf oil processing.



### Cocoa (*Theobroma cacao*)

Cocoa has become the main source of livelihood for communities in South and Southeast Sulawesi, including Campaga, Balang Pesoang and Kayu Loe in Bantaeng district, South Sulawesi, and Anggawo, Lawonua, Wonuahoa, Ambondia, Lamunde, Simbune, and Taosu in Konawe and Kolaka district in Southeast Sulawesi.

The dry cocoa beans are sold to collectors who go house to house buying cocoa beans from the farmers at an agreed price. Farmers usually accept the price from the collectors.



### Fruits

Fruits identified are rambutan (*Nephelium lappaceum*), langsung (*Lansium domesticum*), durian (*Durio zibethinus*), mangosteen (*Garcinia mangostana*), cashew (*Anacardium occidentale*), banana (*Musa paradisiaca*) and avocado (*Persea americana*). Communities sell tree-ripened fruits with minimal product handling. In South Sulawesi fruit production and sales are found in Balang Pesoang, Bantaeng district and Borongrappoa in Bulukumba district.



### Candlenut (*Aleurites moluccana*)

Candlenut is the leading product at all over Bantaeng and Bulukumba districts. Harvested once a year, this product can provide significant income for households. Farmers sell peeled candlenuts to collectors, who resell it to large-scale traders. Traders then pack the candlenuts in shipping-standard sacks for transport to various areas in Indonesia.



### Coconut and copra (*Cocos nucifera*)

Tugondeng village in Bulukumba district, is the centre for coconut products in the form of coconut sugar. Meanwhile, Tasahea village in Kolaka district produces copra.



Farmers producing coconut sugar have added significant value to their product before sales by cooking the sugar and hardening it in a cylinder or block shape of a certain size. Coconut sugar producers sell their products to local market traders, large traders and directly to supermarkets.



Farmers producing copra sun-dry the coconut wedges for a few days and wait for collectors to purchase their product. Sacked copra is sent to large-scale traders in Makassar, and shipped to factories and used as the basic material for cooking oil and other food.



### Sago (*Metroxylan sago*)

Areas around Asinua Jaya, Konawe district, sago trees are harvested from the swamps around forests and floated across the river to the villages for extraction. The extraction is done in groups and yield is shared based on an agreement between group members. The sago is then sold to collectors and taken to the market or factories.



### Patchouli (*Pogostemon cablin*)

Harvested patchouli is sun-dried in the yard for two days and then cooled before being placed in sacks. Collectors often set the price and do not add value to the product. They resell the product to patchouli refineries. After the product is refined, it will be sold to Surabaya for further processing.



### Marketing problems and recommendations

Leading commodities in Sulawesi, have inefficient marketing system, including insufficient value adding, resulting in a weak negotiating position for farmers and low sales. To achieve full value to farmers, the commodity requires appropriate post-harvest processing, such as adding value by drying, roasting, or packaging. In this case, capacity-building training on product processing and marketing strategies is needed.

The rising problems related to clove and candlenut come from factors beyond marketing, such as weather changes, which affect the harvest pattern and schedule.



Another problem beyond marketing issues comes from pod borer pests that decrease the fruit quality, causing it to rot before harvest. Sulawesi cocoa beans are in high demand, but an improvement of the post-harvest quality is needed, such as adding value by the drying, fermentation, packing and other processes.



For fruits, packaging is recommended because it can actually increase sales. Companies in the food processing industry can be involved to develop fruit preservation. The first step in such a process is to increase the community's capacity to add value to fruit products.



Sale price is the main problem for coconut and copra producers. If the retail and manufacturing sector can be brought closer to the raw material sources, transaction costs will be reduced, and if the farmers can comply with desired market standards, the sale price will increase.



Similar to coconut farmers, sago farmers face a sale price problem. Like many other products, sago farmers do not possess the skill to add to increase the value of sago. Based on observation, sago farmers only sell wet sago packed in sacks, which are put on display in front of their houses to attract customers.



### Conclusion

Smallholders showed low sense of value creation by not understanding what traders and consumers really need, and basically selling what grows instead of producing what sells. To fully engage in market opportunities it is imperative for smallholders to understand their target market and develop active marketing strategies.

Results from the study found some obstacles, but there are opportunities for farmers to access more lucrative value chains by:

- Increasing their awareness of market chains and market specifications
- Engaging in post-harvest processing to increase the value of the commodity
- Expanding their role in the value chain

Key factors to address include improving smallholders' crop management to produce products with higher potential value, the barriers faced by new market participants, the bargaining power of buyers (i.e. traders or collectors), possible substitutes to products in related industry, and competition among smallholder producers.

### Acknowledgement

The research presented in this poster was conducted through the Agroforestry and Forestry in Sulawesi: Linking Knowledge to Action project funded by the Canadian International Development Agency (CIDA). The opinions, findings, conclusions, and recommendations expressed in this poster are those of the author and do not necessarily reflect the views of CIDA.