



Policy Paper

**Cocoa Business Development
in Majene Regency,
West Sulawesi**



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POLICY PAPER

Cocoa Business Development in Majene Regency, West Sulawesi

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I. BACKGROUND

One of the approaches used in agriculture development is agri-business activities which are aimed to increase the competitiveness and develop the community's sustainable economic capacity, which are conducted through the framework of regional autonomy which strengthens the region's economy. The development of the agricultural sector involves many aspects of the value chain, starting from the planting stage, gathering stage, processing stage and distribution stage. Therefore, in order to have agricultural products which are highly competitive, careful attention must be paid to every aspect of the value chain.

One of the strategic agricultural products is cocoa (*Theobroma cocoa L.*). Cocoa is a strategic commodity due to two reasons. First, Indonesia is the second largest cocoa producer in the world after Ivory Coast, with total production of 809,586 tonnes in 2012 (Directorate General of Plantation). With such amount of production, this commodity has contributed foreign earnings to the amount of US\$ 1.1 billion in 2012, which is the third largest earning of foreign currency after palm oil and rubber (Ministry of Trade, 2013). Second, 95 percent of the activities related to this product involve small-scale farmers which own 0.5 to 2 hectares of land. Therefore, development of the cocoa business have directly and indirectly influence the people's economy. From the Indonesia's total production of cocoa, the highest contribution (60%) comes from four provinces of Sulawesi, namely South Sulawesi, West Sulawesi, Central Sulawesi, and South East Sulawesi.

Especially for West Sulawesi, cocoa plantation is found in all the regions, one of them is Majene Regency. In Majene, majority of the people has cocoa business as their main livelihood, and they have side job as fisherman or having food crop business. There are 10,289 cocoa farmer families in Majene (Forestry and Plantation Local Government Agency 2012). If it is assumed that each family has four members (father, mother and two children), then the total number of cocoa farmers are around 40,000 people. Nevertheless, the scale of cocoa plantation business in Majene is still as traditional farming. The average land area owned by a farmer is only 1 hectare. The total amount of land used for cocoa plantation in 2012 reached 12,412 hectares. When we look at the data on contribution to the regional economy, the plantation subsector (primarily cocoa) contributes the largest amount to the economy of Majene Regency which is 20 percent to the formation of the Gross Regional Domestic Product (GRDP).

The success of cocoa business may be influenced

by many factors, among others farmer's human resource, technology, access of land, and so on. Yet based on needs assessment conducted by the Regional Autonomy Watch (KPPOD) regarding cocoa business value chain in Majene, the Majene farmers does not have a good bargaining position especially in the marketing system and they do not have sufficient capital for plantation business. In fact, collector trader's role is even more conspicuous compared to that of cocoa farmer in cocoa trading chain. This condition is worsened due to the weakness of the farmer's institution. Farmer group formed by the farmers is supposed to be a place for them to learn and to cooperate and as a product unit; instead, it is established for the interest of certain group. Consequently, farmers only become price takers which resulted on the low income and poor welfare of the farmers themselves.

Increasing farmer's capacity in developing cocoa business in Majene is very essential. With a high capacity, cocoa productivity and farmer's bargaining power are increased. This can increase farmer's income and the community's welfare in general in Majene. For that purpose, to increase the farmer's capacity, KPPOD has conducted an activity which strengthened the legislative capacity in Majene so that they can create a proper policy that will facilitate the development of cocoa in Majene, in particular on human resource aspect of the farmers. The activity has been conducted on 12-14 September in Majene by inviting cocoa stakeholders in Majene. From the activity, several problems that are faced in the development of cocoa in Majene, in particular on the aspect of farmer's capacity have been deeply explored in order to find solutions which take the form of policy choices and endeavours which may be used to solve those problems.

II. PROBLEM FORMULATION

2.1. PROBLEMS FREQUENTLY FACED BY COCOA FARMERS IN MAJENE.

From the consultations involving various stakeholders, several problems that are faced by cocoa farmers in Majene could be explored as follows::

a. Pest and disease attacks

Pest and disease still often attack cocoa trees in Majene. Pests that often attack cocoa trees are cocoa pod borer (*Conopomorpha cramerella*), mosquito bugs (*helopeltis*) and red coffee borer (*Zeuzeracoffeae*). Not only that, various diseases still become problem in cocoa cultivation. A very common disease that attacks cocoa

plantations is the rotten fruit disease (caused by *Phytophthora palmivora*), Vascular Streak Dieback disease (VSD), trunk -cancer and pink-disease fungus. The amount of land attacked and affected by these pests and diseases is very high, which is 8786.2 hectares or 71 per cent of the total land used for cocoa farming in Majene (Forestry and Plantation local government agency of Majene Regency, 2011).

b. Inadequate production input

Until today, production input especially fertilizer still becomes an impediment to cocoa cultivation in Majene. Provision of fertilizers in cocoa centers, in particular in mountain areas is very difficult. This is due to difficulties in transportation which becomes an impediment in production input distribution to the mountain areas. On the other hands, the ability of farmers to purchase fertilizers is still low. Moreover, many farmers lack the awareness to purchase fertilizer and pesticide. They only depend on the subsidised fertilizer assistance from the Government . .

c. Low motivation of farmers in taking care of their plantation

Farmer’s motivation in caring for their plantation is still low. This condition resulting in their plantation being not well taken care of, which further has an impact on productivity of the cocoa plantation, i.e. not optimal. Farmers feel that the harvesting result gained is not equal to the costs that they have spent. The farmers also do not have the skills to analyze the farming business

financially. Consequently, farmers are not focused in their farming efforts and become lazy in taking care of their plantation.

d. Marketing of cocoa is still conducted individually

Joint marketing is rarely done by the farmers. More often they conducted individual marketing of their products directly to collective traders. Therefore bargaining position of the cocoa farmers is low and, consequently, the price that they receive is below the prevailing one.

e. Lack of capital for cocoa farming

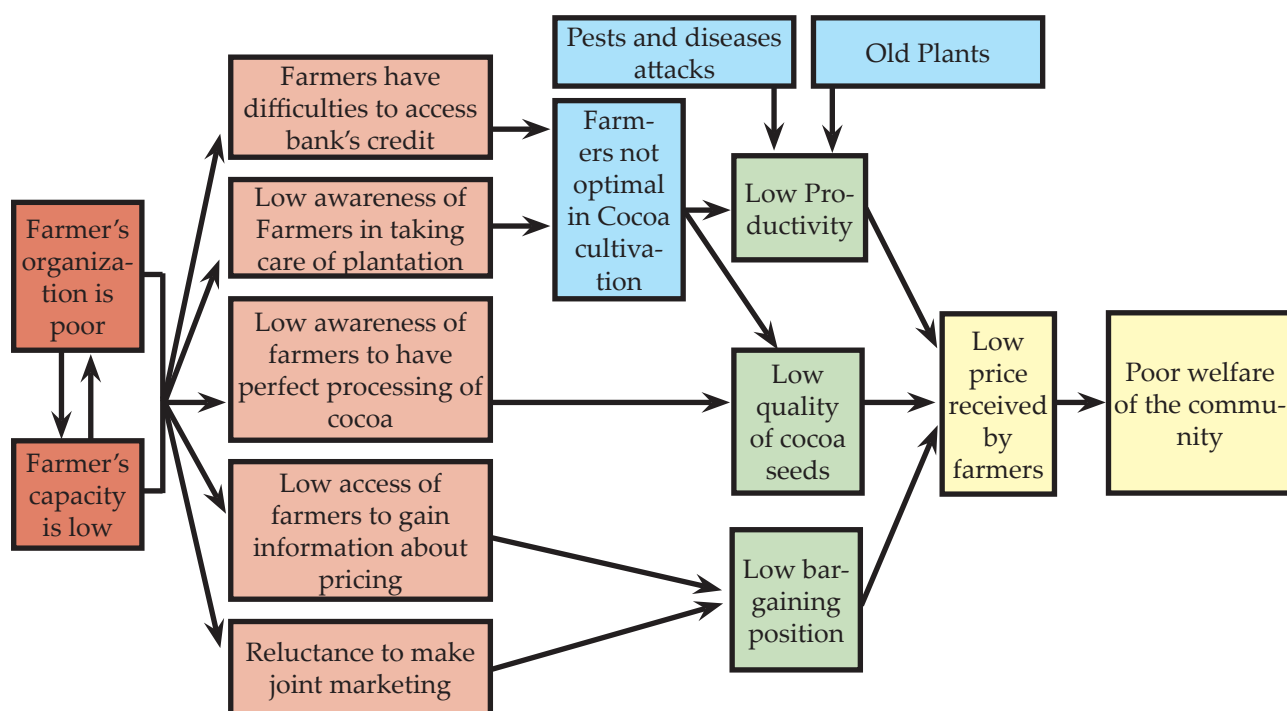
The income of cocoa farmers currently stands at less than Rp 1.5 million per month. Such low income is only enough for subsistence living of the cocoa farmers. They do not have capital for cocoa business, especially to maintain the plantation or to provide farming production input.

Following is a figure 1 to show many problems occurring in cocoa plantation business in Majene, including cause and effect relations of each of the problems.

2.2. MAIN PROBLEMS (ROOT OF THE PROBLEMS)

After having made some discussions with all the stakeholders and the study team, root of the problems in cocoa business in Majene Regency is the poor quality of farmer’s capacity, viewed from several aspects, are knowledge, skill, attitude as well as capital. After making further identification, parties

Figure 1. Problem Tree on Cocoa Development in Majene



that have an influence on the root of the problems are Agricultural Extension Worker, the Local Budget Planning Team (TPAD), Local Government, Banks, Farmer Group, and Private sector. The attitude of each party which influences the root of the problems can be seen in Table 1.

2.3. INFLUENCES TOWARDS COCOA FARMERS

The low quality of human resource of the farmers caused the farmers' inability to deal with problems that they faced in cocoa cultivation: farmers unable to take good care of the cocoa plantation and farmers do not carry out the required processes of pre- and post-harvesting. Finally, such situation has an influence on:

a. Low Productivity

It can be said that cocoa productivity in Majene is low. In 2011, cocoa productivity in the amount of 880 kgs/hectares/year has been increasing to 7.9% in 2013 to become 950 kgs/hectares/year. This number is still far from optimum productivity

of cocoa in Majene which can reach 3000 kgs/hectares/year (Local Development Planning Agency of Majene Regency).

b. Low Income and Welfare of Farmers

Until now, income of cocoa farmers is still low, that is less than Rp 1,500,000 per month. Such low income from cocoa plantation has not enabled farmers to add capital for its development.

III. POLICY GOAL

In order to solve the root of the problems in cocoa sector in Majene, it is required to have a policy with a goal to increase capacity of farmers, from the aspects of knowledge, skill, attitude as well as capital. In reaching that goal, it has been identified that the main actors which are the objects for the policy are farmers and agricultural extension workers. The two actors have the role to enable the goal be reached. The desired attitude and factors which support and

Table 1. Problem Formulation of Cocoa Development in Majene

PROBLEM FORMULATION				
Identification of the Root of the Problems:	Cause	Party/Attitude/Influential Motivation		
		Involved Actors	Contributing Attitude	Motivation
Low capacity of farmers	<ol style="list-style-type: none"> Lack of training Performance of the agricultural extension worker is not optimum Farmer's organization is poor Farmers have difficulties to access Bank's credit 	<ol style="list-style-type: none"> Agricultural extension worker Local budget planning Team Local Government Enterprise NGO Association Farmer Group Bank 	<ol style="list-style-type: none"> Number of agricultural extension workers is limited. There are still one agricultural extension worker handling more than one village. Capacity and knowledge of the agricultural extension worker are limited. Background of agricultural extension workers are various so that not all of them understand cocoa cultivation technique. Status of the agricultural extension worker is non-governmental contracted worker (non permanent staff), gets no operational costs. Rank promotion system of the agricultural extension worker is complicated and needs a long time. 	<ol style="list-style-type: none"> Nurturing done by field agricultural extension worker (PPL) is adjusted with limited number and capacity of PPLs, PPL characteristic that is, of general knowledge, and budget availability The design of agricultural extension organization which is combined with food security has an impact that they do not have freedom of arranging their own program and budgeting allocation. Such obligation of the bank's management to maintain its performance by minimizing bad credits which often come from farmers, therefore applying complicated requirements.

Identification of the Root of the Problems:	Cause	Party/Attitude/Influential Motivation		
		Involved Actors	Contributing Attitude	Motivation
			<p>5. A common phenomenon often happen is that the agricultural extension worker that has already got a government employee status is changed and assigned as a structural staff (no longer as an agricultural extension worker)</p> <p>6. TPAD does not include cocoa development program in Majene in the priority program in particular in the division of agricultural extension services, therefore training budget for the farmers is very minimal.</p> <p>7. Agricultural extension organization is not designed to be an organization on its own, but as a division of the Food Security and Agricultural Extension, Fisheries, and Forestry Services Agency. This does not comply with terminology used in the Law No 16 Year 2006 which mentions that agricultural extension as an organization on its own. The impact is that, performance of agricultural extension division is not optimal.</p> <p>8. There are many farmer groups that do not conduct their function well as place for learning, place for making a cooperation, and as a production unit.</p> <p>9. The administration process and requirements in accessing bank's credit and revitalization funds are complicated. Such requirements issued by the bank is more complicated compared to the requirements determined by central government based on the guidelines for implementation of revitalization funds .</p> <p>10. Minimum number of private agricultural</p>	<p>4. Many farmer groups are established for certain private interests/politics, and not for farmer's real interests (bottom up aspiration).</p> <p>5. Cocoa enterprise/ Cocoa association place many private agricultural extension workers to cocoa center areas that are able to supply cocoa in big amount.</p>

impede achievement of such goal can be seen in the table beside.

IV. POLICY ALTERNATIVES

To reach the aforementioned policy goals, identification on several applicable intervention

alternatives is conducted. The alternative can take the form of regulation or non-regulation. Non-regulatory alternatives that have been identified are increasing budget allocation for training of agricultural extension workers, institutional strengthening of KPPK, improving coordination between SKPDs for farmer's capacity building programs, allocating capital assistance through KTNA, presence of fertilizer

Table 2. Summary of Policy Goal

POLICY GOAL Increasing Capacity of Farmers (Knowledge, Attitude, Skill, and Capital)	
1. Actors and desired attitude	<p>Farmers</p> <ul style="list-style-type: none"> • Taking care of the plantation in accordance with good cocoa cultivation technique • Implementing actions which strengthen organisation function of farmer group • Joint marketing with other farmers through farmer group/UPH • Opening access to partnership with external parties (private sector, enterprise, NGO, bank) • Accessing information or communication (local government, banking sector) • Independent capital (not depending on middlemen, collective traders) <p>Agricultural Extension Workers</p> <ul style="list-style-type: none"> • Intensive agricultural extension services • Appropriate technical knowledge of agricultural extension workers in cocoa cultivation
2. Parties and factors which support and impede	
a) Supporting parties	<ul style="list-style-type: none"> • Agricultural technical institution • Agricultural extension workers • NGOs • Banks • Community leaders • Local Legislative Assembly • Enterprises/Associations
b) Impeding parties	<ul style="list-style-type: none"> • Middlemen
c) Supporting factors	<ul style="list-style-type: none"> • The desire to increase cocoa productivity in Majene Regency, • The desire to increase farmer's income and welfare in Majene
d) Impeding factors	<ul style="list-style-type: none"> • Changes in land use (from cocoa plantation into housing) • Changes in occupation (from cocoa farmer into fisherman, trader, etc) • Infrastructure (roads) is poor • Low rate of cocoa farmer's regeneration

distributor at the sub-regency level, improving quality of agricultural extension workers and improving recruitment system of agricultural extension workers, registering existing farmer groups and widening the reach of private agricultural extension workers.

On the other hands, regulatory policy alternatives are revision of SOTK local regulation to allow for the establishment of an implementing agency on agricultural and husbandry extension services in compliance with the terminology prescribed in Law number 16 year 2006, which will strengthen the institution of agricultural extension workers. Another policy alternative would be to create a local regulation on the institution of farmer groups, which will be the legal basis for strengthening the farmer's institution, and creating a letter of decree on fertilizer distribution.

After that, a screening is made to all the above alternatives to select relevant alternatives for further analysis. The relevant alternatives are as follows:

1. Do Nothing (leave things the way it is)

At this option, the local government will do nothing to improve current condition of cocoa business in Majene Regency. If this condition is let to happen, farmer's capacity will not be increased, or even worsening. As a result, cocoa plantation business in Majene will not be developed, cocoa productivity will be declining, and farmer's income will also be decreasing. At the end it can decrease the welfare of the community in Majene.

2. Revising Majene's SOTK local regulation to allow for establishment of an Implementing Agency for Agriculture, Fisheries, and Forestry Extensions which is in compliance with the terminology prescribed in Law No. 16 Year 2006 on the Implementing Agency for Agriculture, Fisheries and Forestry Extensions.

In this alternative, a revision shall be done to the Majene regency's SOTK regulation in order to separate

the institution in charge of plantation agricultural extension from the Agency for Food Security and Implementation of Agriculture, Fisheries and Forestry Extensions, because format of the existing agency is not in line with that prescribed in Law Number 16 Year 2006. In the Law it is mentioned that agricultural extension shall have its own organization, and not to be combined with other institution; its format shall be Implementing Agency for Agriculture, Fisheries, and Forestry Extensions. With this separation of agricultural extension from food security, the agricultural extension institution can get more APBN budget that can be used for financing programs/training activities for the farmers and facilities and operational costs for the agricultural extension workers. Such increase in training for farmers and increased performance of agricultural extension workers can in turn increase farmer's capacity.

3. **Creating a local regulation on the institution of farmer group as an implementation of the Minister of Agriculture's Regulation No.273/KPTS/2009 and Law No. 16 Year 2006.**

One of the alternatives that can be done to enhance the capacity of farmers (knowledge, skills and attitude) is to empower farmer groups as a 'home' for farmers. Until 2012, there are 1,018 farmer groups in Majene. However, from this amount, only 10% or about 100 farmer groups that is able to apply such function of farmer group well as a place to learn, a place to have cooperation, and as a production unit. Having the new local regulation, it is expected that orderliness and re-registration of farmer groups can be made to minimize 'pigeon' farmer groups, so that existing farmer groups can be function optimally and can empower farmers. In addition, the Local Regulation is also aimed to strengthen farmer group position and to identify both active and non-active farmer groups in Majene Regency. This is in turn can improve farmer's capacity in Majene.

4. **Capacity Building Program for Agricultural Extension Workers**

Until now, capacity and quality of agricultural extension workers are still inappropriate, especially in cocoa cultivation techniques. Therefore, it is necessary to conduct capacity building program for agricultural extension workers through training. Various activities or programs can be carried out to strengthen capacity and to increase number of agricultural extension workers, such as:

- Strengthening the capacity and optimizing of the existing agricultural extension workers functionally at all government levels;
- Increasing the coordination between the Local Agency of Forestry and Estate with the Agency of Food Security and Implementation of Agriculture, Fisheries, and Forestry Extensions;

- Training of Trainer (TOT) and field schooling for agricultural extension workers, and adding number of PPL to be minimum one person for one village;
- Training in cocoa cultivation techniques;
- Making optimal the role of self-supporting agricultural extension workers in each village.

Agricultural extension worker is the party having a direct influence on the capacity and quality of human resource of farmers. Therefore, agricultural extension worker's capacity building through the abovementioned programs can be expected to increase farmer's capacity.

V. COST AND BENEFIT ANALYSIS

To determine the policies that will be taken, a cost and benefit analysis on each of the policy alternatives has been conducted. Benefit analysis is made to find the impact of each policy alternative, while cost analysis is to see the burden of each policy alternative upon the stakeholders. This phase is one of the most important phases since the result of such analysis will be the main basis to make the decision on which policy alternative will be chosen. In addition, the cost and benefit analysis is useful as a tool to clarify whether problem identification and goals of policy implementation determined in advance are correct.

Benefit and cost pattern of the four options of action mentioned above is relatively similar and consistent each year, therefore the benefit and cost analysis is conducted by calculating the benefit and the cost yearly (averaged). For such an analysis, RIA process does not need a discount to obtain present value. The best option is one that gives positive yearly benefit/cost (in average).

Based on problem identification and policy goals to reach, benefit and cost analysis conducted for each selected action alternatives is as follows.

- **First alternative: Do Nothing**
- **Second alternative: Revise Majene's SOTK Local Regulation to form an Implementing Agency for Agricultural Extension, Fisheries, and Forestry Services**
- **Third alternative: Develop a Local Regulation regarding Farmer Group Institution**
- **Fourth alternative: Capacity Improvement Program for Agricultural Extension Worker**

To select the best action alternative, an analysis of benefit and cost is conducted. The first step in conducting the analysis is to determine the indicators of benefit or costs borne by each stakeholder assuming that each of action alternatives is made. Benefit or cost is measured using a score index with scale range from -3 to 3, where a positive score indicates benefit

received by each stakeholder, and a negative score shows cost/loss borne by each relevant stakeholder, while score 0 (zero) indicates that there are neither cost nor benefit received (neutral), or the condition remains unchanged. The higher the score means the higher benefit will be gained, and the smaller the score means higher costs must be borne, as can be seen at the following Table 3.

Summary of the cost and benefit analysis of each alternative can be seen at the following Table 4.

A. FIRST ALTERNATIVE : DO NOTHING

A.1. Benefits:

No changes in government budget, which means that there are no additional funds allocated to develop the cocoa business in Majene.

1. For the government, there will not be any changes in budget allocation, means that the government will not add up or subtract the budget in relations with cocoa business development in Majene
2. For the collective traders, the absence of actions

Table 3. Index Score of Benefit and Cost

BENEFIT	NEUTRAL	COST
3 = Great Benefit	0 = Neutral/No influence/No Change	-3 = High Cost
2 = Moderate Benefit		-2 = Moderate Cost
1 = Low Benefit		-1 = Low Cost

Table 4. Cost and Benefit Summary

GROUPS/ STAKEHOLDERS	BENEFIT OR COST	ACTION ALTERNATIVE			
		I	II	III	IV
Local Government	1. Additional budget allocation (APBD)	0	3	0	0
	2. Ease in coordination between SKPDs	-1	1	1	2
	3. Efficiency and effectivity in the implementation of assistance program for the farmers	-1	1	3	1
	4. Cost for formation or revision of local government regulation	0	-3	-3	0
	5. Resistance between SKPDs	0	-3	0	0
	6. Political costs	0	-3	-1	0
	7. Operational costs (staffing, facilities & infrastructure, socialization)	0	-3	-1	-1
	8. Nurturing target group can be better directed	-1	1	3	1
	9. Supervision of program implementation	-1	0	3	0
	10. An increase in agricultural sector contribution to GRDP	0	2	2	1
	11. Provision of a clear organization data	-1	0	3	0
Agricultural Extension Worker	1. Agricultural extension worker's operational facility	0	3	0	2
	2. Optimization of nurturing implementation	-1	3	3	3
	3. Efficiency in nurturing implementation	-1	3	3	3
	4. Knowledge & skill of field agricultural extension worker (PPL)	-1	3	0	3
	5. Availability/ adequacy of PPL in each village	-1	3	0	3
	6. Certification incentive	0	3	0	1
Local Legislative Assembly	Channeling constituent aspiration	0	1	2	0
Farmer	1. An increase in knowledge and skill of farmers	-1	3	3	3
	2. Strengthening of farmer capacity	-1	2	3	3
	3. Implementation of training and nurturing programs for the farmers	-1	3	3	3
	4. Farmer's problems are advocated	-1	2	3	2

GROUPS/ STAKEHOLDERS	BENEFIT OR COST	ACTION ALTERNATIVE			
		I	II	III	IV
Farmer	5. Cocoa levels of quality and quantity	-1	2	2	2
	6. Access to business capital/financial	-1	2	3	1
	7. Stability and standardization of cocoa price	-1	2	3	0
	8. Levels of income and welfare	-1	3	3	2
	9. Product capital cost	0	-1	-1	-1
	10. Access to cocoa price information and other information	-1	0	3	0
Collective trader	1. Ease to obtain cocoa seeds	-1	1	-1	1
	2. Cocoa quality and quantity	-1	2	2	2
	3. Standard of cocoa price	1	-1	-2	-1
	4. Profit /gain	1	1	-1	1
	5. Operational costs	-1	-1	-2	-1
Enterprise	1. Easiness (information access) & certainty in obtaining raw materials	-1	3	3	1
	2. Cocoa quality and quantity	-1	2	2	2
	3. Information regarding cocoa price standard	0	0	0	0
	4. Profit/gain	-1	2	3	2
	5. Operational Costs	-1	1	1	1
	6. Access to other information	-1	0	3	0
TOTAL		-24	43	51	42

for cocoa business development program and regulation gives them an opportunity to get high profit margin because their bargaining power to determine the price (standard price) of cocoa seeds is much stronger than that of the farmers'.

A.2. Costs:

1. For the Local Government, the lost that will be borne if the first alternative is taken is that coordination between local government agencies (SKPDs) is still difficult to develop. In addition, efficiency and effectivity of the assistance program implementation for the farmers have not been achieved yet. As the result, the program is not directed to appropriate targets.
2. For the farmers, their capacity is decreasing, and various problems they face are not well advocated. This in turn will have an impact on the declining of cocoa seed productivity and quality. Finally, farmer's income and welfare will be decreasing.
3. For the agricultural extension workers, their knowledge and capacity are not developing. This will have an impact that the local government program target will not be appropriately directed, and farmers' knowledge will not be developed.
4. For the enterprise, easiness in business and provision of basic commodity using cocoa as raw materials will be declining as a result of the decrease in cocoa product from farmers. As a result, inefficiency in production process will occur which may result in lower profit of the enterprise.

5. Provision of cocoa seed supply from collective traders will also be declining.

B. SECOND ALTERNATIVE: REVISE MAJENE'S SOTK LOCAL REGULATION TO SEPARATE THE INSTITUTION FOR AGRICULTURAL EXTENSION WORKERS FROM THE AGENCY FOR FOOD SECURITY AND AGRICULTURAL, FISHERIES AND FORESTRY EXTENSIONS IMPLEMENTATION

B.1. Benefits:

1. Additional budget allocation from the central government since agricultural extension agency has been established in compliance with the terminology required by Law no. 16 year 2006. With reference to the practices in other regions, additional budget allocation could reach Rp 6.5 billion in 2008. In addition, various other supporting facilities such as operational vehicles, display equipment etc will also be provided.
2. Agricultural extension worker would get many benefits if such institution was to be established. Among others are incentives for agricultural extension worker's certification, various trainings to improve their capacity, assurance in provision of means and infrastructure facilities, efficiency and optimization in nurturing program for the farmers, and fulfillment of the standard of one agricultural extension worker for one village.
3. For the farmers, with increasing agricultural extension services, their capacity in cocoa business

will be increased. Having their capacity increased, farmers will be motivated to take care of their plantations in a better way, and their access to business capital will also be increased. This in turn will increase productivity and quality of cocoa seed. Finally, incomes and welfare of farmers will be increased.

4. For cocoa industrialist and collective trader, an improvement in human resource capacity of the farmers and cocoa productivity will give certain benefits, i.e. an easiness to get cocoa seeds and an assurance of continuous supply of cocoa seed raw materials with such quality that meets the requirement of the enterprise (meets the desired standard of quality). So that profits of the enterprise as well as the collective trader will be increasing.

B.2. Costs:

1. Costs for revision of SOTK local regulation using Local Government and Local Legislative Assembly budgets
2. The new established institution will require a minimum operational budget of Rp 900 million per year
3. Political costs that must be spent to revise SOTK local regulation; such costs are used for lobbying to establish a new institution
4. Resistance from the current existing agencies (SKPDs) due to separation of food security agency and agricultural extension institution
5. Change in budget allocation due to separation of agricultural extension institution from the existing agency.

C. THIRD ALTERNATIVE: DEVELOP A LOCAL REGULATION ON FARMER GROUP INSTITUTION AS AN IMPLEMENTATION OF THE MINISTER OF AGRICULTURE'S REGULATION NO. 82/2013 AND LAW NO. 16 YEAR 2006.

C.1. Benefits:

1. For the local government, benefit obtained are availability of database of farmer groups, clarity and orderliness of farmer groups, efficiency and effectivity of assistance programs for farmers conducted by Local Government Agencies (SKPD), more precise target of the agriculture assistance program, more effective direction of nurturing target group, and easiness in the control of the agricultural development program implementation.
2. For the agricultural extension worker, having the farmer group strengthened through the local regulation issuance, some benefits will be obtained such as optimization and efficiency in nurturing the farmers, and nurtured target groups will be better directed.
3. For the farmer, having the local regulation, existence of the farmer group can be secured. By

having strong farmer group institution, farmers could use the institution as a facility to improve their capacity and knowledge, considering that such institution is a place to learn, to cooperate, and also is a product unit. In addition, having the strong farmer group, farmers will get other benefits such as strengthening of their bargaining position, ability to fulfill production quota, and more focused and precise target of government nurturing program. Besides, a strong farmer institution can give an ease in accessing market and capital for their business.

4. For cocoa industrialist and collective trader, an improvement in human resource capacity of the farmers and cocoa productivity will give certain benefits, i.e. an easiness to get cocoa seeds and an assurance of continuous supply of cocoa seed raw materials with such quality that meets the requirement of the enterprise (meets the desired standard of quality). So that profits of the enterprise as well as the collective trader will be increasing

C.2. Costs:

1. Costs for formation of the local regulation on farmer institution which is borne by the Local Government and the Local Legislative Assembly
2. Political cost resulted from formation of a local regulation on farmer institution
3. Collective trader is difficult to make a direct transaction with farmers. This will result in the decreasing volume of cocoa seeds obtained by the collective trader. As an impact, income of the collective trader will be decreased.

D. FOURTH ALTERNATIVE: CAPACITY IMPROVEMENT PROGRAM OF AGRICULTURAL EXTENSION WORKERS THROUGH TRAINING

D.1. Benefits:

1. For the Local Government, benefits obtained are efficiency in the implementation of assistance program for farmers and increased coordination between Agriculture Local Agency and Agricultural Extension Institution.
2. For the agricultural extension workers, such strengthening through various training can increase their capacity, assure provision of means and infrastructure facilities, efficiency in nurturing program of the farmers, and fulfillment of the standard of one agricultural extension worker for one village.
3. For the farmers, an increase in agricultural extension services will increase their knowledge and skill in cocoa business. Better human resource of farmers means that farmers will be motivated to maintain their plantation more seriously. This will increase cocoa productivity and quality, which in turn will result in an increase in farmers' income and welfare.
4. Increased farmer's cocoa production will assure

continuity of cocoa supply to industries that use cocoa as raw material. Product efficiency will also be gained, so that the industry's profit will be increased.

5. Availability of cocoa supply from collective trader will be decreasing, therefore the collective trader's profit will be subsequently decreasing.

D.2. Costs:

1. Funds for operational cost of agricultural extension services
2. Funds for training of agricultural extension workers
3. Funds for nurturing assistance carried out by local government.

SELECTION OF ACTION ALTERNATIVES

Based on the above explained cost and benefit analysis, **THIRD ALTERNATIVE, i.e. DEVELOP A LOCAL REGULATION ON FARMER GROUP INSTITUTION AS AN IMPLEMENTATION OF THE MINISTER OF AGRICULTURE'S REGULATION NO. 82/2013 AND LAW NO. 16 YEAR 2006** has greater net benefits (46 points) compared to other alternatives. The party that will suffer loss from this alternative is collective trader/middle man. While other stakeholders enjoy greater benefits rather than borne costs, such as, farmers in particular as they are key actor of the problems faced in cocoa business in Majene. However, if viewed from resulted positive externality, it can be shown in figure 2 below:

From cost point of view, this alternative will only cause

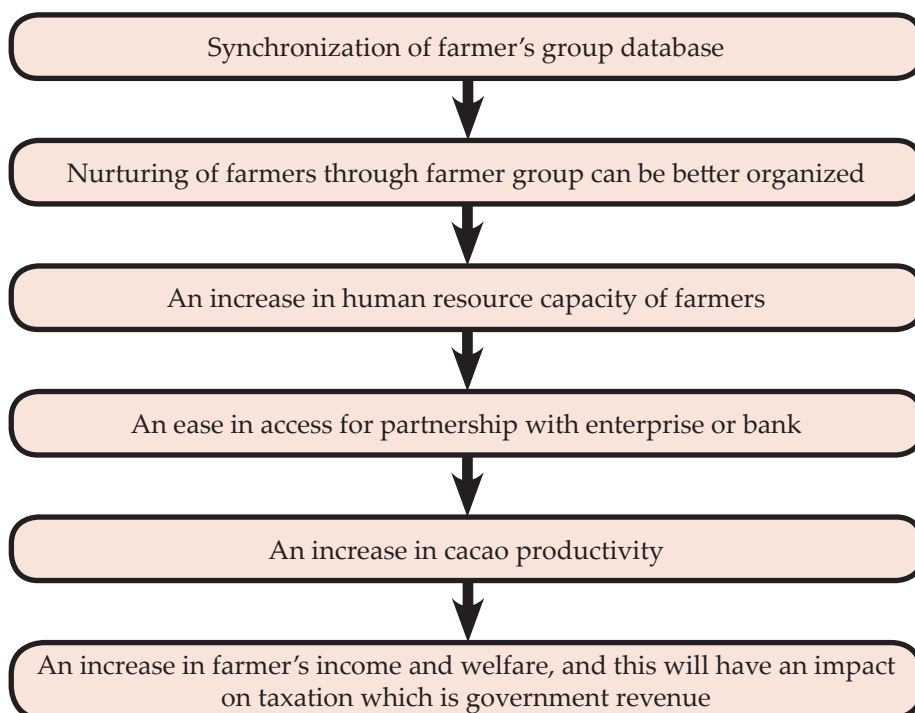
cost, in nominal and in political that resulting from the making process of the local regulation. Meanwhile, stakeholder other than Local Government that bears such cost resulted from this alternative is collective traders. They suffer losses as an impact of the strong farmer institution existence.

VI. PUBLIC CONSULTATION

Public consultation is a very important step in the review process of a regulation or in making a new regulation. This step is made considering that the government has no perfect information regarding who will be the object of the regulation, what impact caused by the regulation, what is their perception toward the problem to be solved, what do they need, and what would happen if the regulation is put into effect. The following Table 5 identifies stakeholders involved in the development of a local regulation on farmer group institution.

In conducting public consultation for development of local regulation in farmer group institution, the Outstanding Fisherman Group (Kelompok Tani Nelayan Andalan, KTNA), assisted by relevant local government institutions (SKPDs) will be the agencies responsible for it. To be effective, public consultation shall be conducted seven times, i.e in formulation of RIA policy, arrangement of RIA Statement (RIAS), and discussions on initial local regulation draft and local regulation draft. Discussions on local regulation draft shall be carried out at least four times for consultation. Result of the public consultation will be used as material input for policy paper for revision

Figure 2. Positive Externalities of Local Regulation on Farmer Group Institution



or for making local regulation, either to strengthen existing problem review or to change problem that is being discussed.

the local regulation that will be formulated or revised. Implementation strategy can be described as follows:

- **Socialization**

Socialization in the form of public consultation regarding development of a local regulations shall be conducted at least seven times, i.e. in the preparation stage of RIA formulation, arrangement of RIA Statement (RIAS), and discussions of local regulation initial draft and local regulation

VII. IMPLEMENTATION STRATEGY

A good regulation will be waste if it is not implementable. Therefore, it is important to formulate an implementation strategy to enforce obedience to

Table 5. Identification of Stakeholders Involved in Development of Local Regulation on Farmer Group

PUBLIC CONSULTATION	
Question Check List	Local Regulation
1 Identify relevant parties to be involved in consultation	1. Farmer 2. KTNA 3. Agricultural extension worker 4. KPPK 5. Banking sector 6. Relevant agricultural technical government agencies (SKPD) 7. Local Legislative Assembly (Commission II) 8. Trading Entrepreneur 9. BSP WASIAT 10. Division of Law 11. Public order apparatus (Satpol PP) 12. Local government agency of Cooperatives, Industry, and Trading (Diskoperindag)
a) Mention parties having greater influence upon regulation that is being developed?	1. Relevant agricultural technical government agencies (SKPD) 2. Local Legislative Assembly (Commission II)
b) Mention parties having broad knowledge regarding problems that are being discussed?	1. Expert Staff of the Regent, in the area of Agriculture 2. KTNA 3. University/Academicians 4. Interest groups/NGOs
2. Identify parties that support, and parties that do not support. What is the reason for supporting or not supporting it?	Parties that support: 1. Farmers 2. KTNA 3. Agricultural extension workers 4. KPPK 5. Banking sector 6. Relevant agricultural technical government agencies (SKPD) 7. Local Legislative Assembly (Commission II) 8. BSP WASIAT 9. Division of Law 10. Public order Apparatus (Satpol PP) 11. Local government agency of , and Trading (Diskoperindag) 12. Local Development Planning Board Parties that do not support: Collective Traders Reason: Loss of income
3. What is the appropriate mechanism to conduct public consultation?	<ul style="list-style-type: none"> • Publication of the regulation draft with a proposal to convey the draft • Meeting/consultation with expert observer, parties that will get the impact of the regulation, and the public. Such meeting can be conducted in various forms, such as small meeting (informal or formal), or big meeting (seminar or symposium).
4. How is the use of public consultation result	
a) Is there any publication on the public consultation result?	Publication of the public consultation result is made in the form of "RIA Statement" either in hardcopy form or in publication using printed media, disseminated directly in a public discussion and in electronic media.
b) Can the public consultation result change the regulation content or the problems that are being discussed?	The document is flexible and can always be changed to adjust with information development obtained from relevant participant/stakeholder.

draft. Such public consultation is expected to be effective in exploring existing problems and to find solution which is agreed by all parties. This is very important to accommodate public aspiration, in order to make level of obedience of the local regulation in implementation stage high.

- **Implementation/Monitoring**

Monitoring is one of the most important aspects during implementation of a regulation. By having a good monitoring, implementation of the regulation will be assured.

- **Incentive and punishment mechanism**

In order to put the policy into effective implementation, a mechanism of incentive and disincentive is needed. Incentive mechanism that can be made to enforce community to follow the local regulation on farmer institution is to provide various facilities for registered farmer groups, such as an ease to access bank's credit, training, and easeful access to the industry. On the other sides, disincentive mechanism can be imposed as administrative sanctions, and if necessary could be a condemnation. ■

Table 6. Summary of Implementation Strategy

IMPLEMENTATION STRATEGY	
1. What is the mechanism used for selected alternative?	
a) Regulation or non regulation?	Regulation in the form of local regulation (Perda)
b) How is the result of analysis on obedience level perception?	<ul style="list-style-type: none"> • It is convinced that all the stakeholders will comply with the policy, since it comes as bottom up aspiration of the stakeholders • There are common awareness to solve problems faced by cocoa farmers in Majene.
c) How is the result of analysis on cost and benefit?	Based on the analysis on cost and benefit, it can be concluded that benefit of the policy is greater than cost.
2. What kinds of sanction used to enforce compliance with the regulation?	To enforce compliance with the regulation, an administrative sanction can be imposed. If necessary, a condemnation sanction can be imposed to the law breaker.
3. What is the form of socialization used for compliance enforcement?	<ul style="list-style-type: none"> • Public consultation (FGD or informal meeting) to the relevant parties • Presentation of the result/hearing/have an audience with the Regent or Local Legislative Assembly • Publication is conducted using printed or electronic media.
a) How is the effectivity of the socialization?	Effective
b) How is the intensity of the socialization?	7 times





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