

FEASIBILITY AND SENSITIVITY STUDY OF FARMING SYSTEM TO INCREASE ACCESSIBILITY OF SMALL COFFEE FARMERS TO THE FINANCIAL INSTITUTIONS

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Abstract

The objectives of this study were: (1) to analyze financial feasibility and sensitivity of small coffee farming; (2) to identify the role and the relationship between financial institutions and small coffee farmers. The analytical methods were NPV, net B/C, IRR, payback period, sensitivity, and Venn diagram. The results of this study showed that coffee farming system in the Sidomulyo village and Pace village were financially feasible and were not sensitive to the changes of costs and selling prices. Financial institution that had close relationship and important role in Pace Village was trader collectors. Meanwhile in the Sidomulyo Village were trader collectors and Cooperative of Buah Ketakasi. The right financial model of small coffee farmers established a network of financial cooperation with the principle of "win -win solution" among the relevant institutions.

Keywords: feasibility; sensitivity; financial institutions; role; relationship.

Introduction

Indonesia, one of the biggest coffee exporters in the world has 1.309.505 ha of land cultivated with coffee. This area is spread over 31 provinces. This makes Indonesia the 2nd largest coffee trader in terms of utilized area for coffee plantation. Even though Indonesia is the world's 2nd largest coffee trader in terms of cultivated area, in terms of production and export it is only at 4th position out of the big five exporters. However, in the past few years coffee commodity productivity has declined significantly. Hence, this problem needs further investigation to ascertain the reasons behind the decline in productivity. Currently, Indonesia's coffee productivity of 792 kg dry coffee bean per hectare is far bellow that of Columbia (1.220 kg/ha/year), Brazil (1.000 kg/ha/year) and even Vietnam (1.540 kg/ha/year) (Kopi Indonesia, 2008)

Coffee is one of strategic commodities and plays an important role for the national economy, particularly as a provider of employment, income and foreign exchange. As a provider of employment, coffee plantations can provide employment for more than 4 (four) millions head of family farmers and give them a decent income, create jobs for traders to exporters, estate workers and laborers of the coffee processing industry (Wahyudi et al, 2006).

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