

# Proceeding

## International Conference Strengthening Indonesian Agribusiness: Rural Development and Global Market Linkages

IPB International Convention Center, Bogor - Indonesia,  
25 - 26 April 2016

Editors :

**Amzul Rifin**  
**Meine Pieter van Dijk**  
**Diederik P. de Boer**  
**Huib Mudde**  
**Johan van Rooyen**  
**Siti Jahroh**

Organized by

**Department of Agribusiness, Faculty of Economics and Management,  
Bogor Agricultural University - Indonesia**

in collaboration with

**NICHE NUFFIC Programme - The Netherlands**

Organized by :



DEPARTMENT OF  
**AGRIBUSINESS**  
BOGOR AGRICULTURAL  
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PROCEEDING

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## FOREWORD

With deep satisfaction I was writing this foreword to the Proceedings of International Conference with the theme of **Strengthening Indonesian Agribusiness: Rural Development and Global Market Linkages** held in IPB International Convention Center, Bogor Agricultural University, Indonesia, on 25 -26 April 2016. This conference marked the end of the NICHE Project which started in 2011.

Diverse papers and discussion represent the thinking and experiences of mixed and various scholars of their particular interest and fields. Of valuable was the presence of prominent scholars who brought their newest findings out of their research works. Their contributions helped to make the conference as outstanding as it has been.

Special thanks are due to the invited speakers Prof. Meine Pieter van Dijk (Maastricht School of Management (MSM) Netherlands), Dr. Daniel Sherrard (Earth University, Costa Rica), Dr. Nunung Kusnadi (Agribusiness Department, Bogor Agricultural University), Oliver Olson, MBA (Director Global Education Programs at Maastricht School of Management), Huub Mudde, M.Sc (Agricultural Counselor, Embassy of the Kingdom of the Netherlands), Prof. Johan van Rooyen (Agricultural economics at Stellenbosch University, South Africa), Ir. Wildan Mustofa, MM (Hikmah Farm, Pangalengan West Java), Joshua Bray, M.Sc (Sydney University, Australia) and Dr. Nerlita M. Manalili (Managing director NEXUS Agribusiness Solutions, Philippines and SEARCA Consultant Agribusiness). We would like also to thank the editor of the proceeding, Dr. Amzul Rifin, Prof. Meine Pieter van Dijk, Diederik P. de Boer, PhD, Huub Mudde, M.Sc, Prof. Johan van Rooyen, Siti Jahroh. Phd, Triana Gita Dewi, M.Sc, M. Rizqy Mubarak, M.Si, and Hamid Jamaludin, SE for the layout of the proceeding.

It is my hope that this proceeding will contribute to the development of agriculture and rural development in the world and in Indonesia especially.

**Dr. Dwi Rachmina**

Head of  
Department of Agribusiness  
Faculty of Economics and Management  
Bogor Agricultural University



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**YOUNG COFFEE FARMERS IN COFFEE BUSINESS, CONSTRAINTS  
AND ITS SOLVING  
(CASE OF NAGORI SAIT BUTTU SARIBU, PAMATANG SIDAMANIK  
DISTRICT, SIMALUNGUN REGENCY, NORTH SUMATRA)**

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**ABSTRACT**

*Arabica coffee is one type of coffees that is produced for the export market and its sustainability depends on young coffee farmers because young coffee farmer is the next generation. In fact, the efforts to work with young coffee entrepreneurs still provides for constraints. This research aimed to analyze the role of young farmers in the coffee business, its constraints and their contribution to rural development. This research was conducted in Nagori Sait Buttu Saribu, Pamatang Sidamanik District, Simalungun Regency, North Sumatra as one of the potential areas of Arabica coffee development. This research used quantitative and qualitative methods. This research showed that young coffee farmers were involved in the entire coffee business mainly in the upstream markets (the coffee farm). Young coffee farmers are encountering many constraints, including: no consistent income, land availability, no interest in working in the coffee sector. Some efforts to solve its constraint are: giving trust from parents to children to manage the coffee business, developing of intercropping systems in coffee cultivation techniques with vegetables and giving an appreciation from the government to the young entrepreneurial who develops coffee business.*

**Keywords:** Arabica coffee, coffee business and young entrepreneurs

**INTRODUCTION**

There are two kinds of coffee that are commonly known by the people, namely arabica and robusta coffee. Along with the time goes by, it has proved that cultivating the arabica coffee farmers has lifted the economy of the farmers, supported by the more profitable price of the kind of coffee. The cultivation of arabica coffee has been a way of overcoming the economic problems of farmers had and even covered the their debts. Due to the fact, this type of coffee cultivated by farmers is known well by its local name as "sigarar utang" which meaning of the debt paying coffee.

The arabica coffee yielded from Simalungun Regency has attracted such foreign markets such as the United States, France, Japan, Thailand, Hongkong, Philippines and Vietnam (Antara, 2012). Although this kind of coffee has been an export commodity, there has been a challenge to solve where there was lack of interest of the young people to focus themselves on

carrying on business on this coffee. It was because the characteristics of the young people of Batak who tended to migrated to big cities than cultivating such a coffee. Of the total young people of Simalungun, there were about 60 percent of them preferred working in countryside that resulted in importing workers from outside Simalungun to fulfill the lack of workers the farmers used to have (HMKSS, 2014). The purpose of this study was to analyze the role of young farmers in cultivating and handling business of coffee, the obstacles and their contribution toward the rural development.

**METHODS**

**DATA COLLECTION AND ANALYSIS**

This research was carried out in Nagori Sait Buttu Saribu, Pamatang Sudamanik districts, Simalungun Regency, North Sumatra, as one of

the Arabica coffee producers. This research used quantitative and qualitative approach. The research method was a survey. The samples were young people of 20-40 years old amounting to 393 persons. Samples for survey were carried out randomly and simply from 108 respondents.

Meanwhile the qualitative data to support the finding of quantitative data came from depth-interview and focused group discussion (FGD). FGD was carried out in five groups consisting of 20 persons each, namely: (1) the young farmers, consisted of males and females, (2) the old farmers, consisted of males and females; (3) local elite group (males and females).

Data analysis were carried out by descriptive method from the resources as well as findings from the interview and FGD as qualitative data.

According to Peverelli. P.J. and Song DJ (2012) there were 3 (three) types of thoughts on entrepreneurship, namely economic approach, traits approach and social identity approach. In fact, the approached used in this study was social identity approach.

### ROLES AND OBSTACLES FACED BY THE YOUNG PEOPLE IN HANDLING COFFEE BUSINESS

Based on local point of view (emic), coffee farmers aged up to 40 years old were categorized as young people. Therefore, the limitation of the youth used in this study was the arabica coffee farmers aged from 20 to 40 years. This emic view was different from that contained in the Regulation of Minister of Agriculture No. 07/Permentan/OT.140/I/2013 on guidelines for the development of the younger generation in agriculture, where the so-called younger generation of agricultural labor is the age group of 15-34 years.

Table 1 shows that 92.59 percent of the young people involved in the coffee business. Only a small proportion of them were not involved in such a business.

**Table 1. Total Number and Percentage of the Young People Based on Their Involvement in Coffee Business in 2015**

Young people involved in coffee business	Total	Percentage (%)
Yes	100	92.59
No	8	7.41
Total	108	100.00

Source: Primary Data, 2015.

Most respondents (92.59 percent) were involved in various activities which conducted in the garden, starting from planting, caring for the planting, harvesting and transporting the harvested coffee (Table 2). This means that there were many young people involved in agriculture upstream. Instead, there were some young people to market the yielded coffee though the number was limited.

**Table 2. The Involvement of the Youth in Every Activities of Coffee Cultivation in 2015**

Type of Activities	Implementers						
	1	2	3	4	5	6	7
Land processing	12.87	77.23	3.96	1.98	2.97	0.99	0.0
Nursery	11.70	81.91	3.19	2.13	1.06	0.00	0.0
Incultation	10.42	82.29	3.13	2.08	1.04	1.04	0.0
Fertilization	9.90	82.18	2.97	1.98	1.98	0.99	0.0
Grass mowing	9.90	81.19	2.97	1.98	2.97	0.99	0.0
Branch cutting	10.31	80.41	3.09	5.15	0.00	1.03	0.0
Harvesting	8.57	80.95	5.71	1.90	1.90	0.00	1.0
Processing	6.06	80.30	7.58	3.03	1.52	1.52	0.0
Transporting	7.29	85.42	5.21	1.04	1.04	0.00	0.0
Peeling	6.45	82.26	6.45	1.61	1.61	1.61	0.0
Soaking	8.47	81.36	6.78	3.39	0.00	0.00	0.0
Cleansing	9.38	79.69	6.25	3.13	0.00	0.00	1.6
Drying	9.38	73.44	9.38	3.13	3.13	1.56	0.0
Marketing	10.20	79.59	6.12	2.04	2.04	0.00	0.0

Source: Primary Data, 2015.

Notes:

1. Elder people only
2. Younger people only
3. Both (elder and younger people)
4. Both (dominated by elder people)
5. Both (dominated by younger people)
6. Employed male waged labors
7. Employed male female waged labors

Even though the involvement of young people was high, there were still some main challenges/obstacles existed pertaining with the involvement of young people in the coffee business (Table 3). As shown by the study conducted by J. and S. Laverte Lorrain (2012),

such challenges happened in business commonly take place during the first year starting a business. The four major obstacles faced in running the coffee business were: the uncertain income from the coffee business due to its seasoning-based (50.98 percent), not owning their own lands for the young people (15.68 percent), already working for other considered more promising sectors (12.75 percent) and not interested to involve in the coffee sector (6.86 percent). A few of young people preferred going to other cities to lend their money to the needs with high rate in returns. In fact, they would return home to Nagori in case they were unsuccessful after three time trials and worked as coffee farmers

**Table 3. Percentage of Young People Based on the Obstacles They Had in the Coffee Business, 2015**

No	Main Obstacles Faced by Young People in the Business of Coffee	Percent (%)
1	Not interested in the sector of coffee	6.86
2	Less educated and skilled in handling coffee	4.90
3	Being shy for working at estate sector (preferred working as office staff)	1.96
4	Uncertainty on income	50.98
5	Have worked for other sectors	12.75
6	Had no lands	15.68
7	Did not want to work under the sunrise	0.98
8	Both less education and skill in handling coffee and uncertain income	1.96
9	Uncertain income and have been working for other sectors	0.98
10	Too high formal education that made them ashamed of working in estate and have already had a job	0.98
11	Not interested, uncertain income and have worked for other sectors	1.96
	Total	100.00

Source: Primary Data, 2015.

In Nagori Sait Buttu Saribu, there have been any specific group consisted of young people, but there have been some of them involved in the organization structure of the farmers' group, either as the management (secretary and treasury) or as members. Of the 108 young people living in Nagori, there were 33 of them involved in the coffee farmers' organizations. Most of them were as members

and only four of them involved as the management, i.e. 1 as the secretary and 3 as the treasuries (Table 4).

**Table 4. Number and Percentage of Young People Involved in the Organization Structure of Farmers' Group, 2015**

Involvement of Young People in Farmers' Group Organization	No. of People	Percent (%)
Leader	0	0.00
Secretary	1	3.03
Treasury	3	9.09
Members	29	87.88
Total	33	100.00

Source: Primary Data, 2015.

### Sales of Coffee Products

The farmers got the information of coffee pricing from 4 (four) sources: neighbors, merchants/collectors, exporters and mass media. Most farmers (87.13 percent) got the access of the price from collecting merchants, those collecting the coffee from the farmers to further process. Only one farmer directly accessed the information from exporters, i.e. from Indocafco. There were two farmers access the information of the coffee pricing from mass media.

**Table 5. Number and Percentage of Young People Based on the Information of on Arabica Coffee Pricing, 2015**

Source of Information	No. of People	Percent (%)
Neighbors	10	9.26
Collecting merchants	95	87.96
Exporters	1	0.93
Mass media	2	1.85
Total	108	100.00

Source: Primary Data, 2015.

Collecting merchants as the source of information of coffee pricing indicated that the social networking of the young people was good. The social networking is important in developing any business (Aldrich H.E, 2005).

Of 108 young people, there were 101 of them sold their coffee production, 7 of them had not sell any product due to the early bearing coffee fruit that resulted in less product. Most young farmers sold their coffee to the collecting merchants (96.04 percent). The merchants were the main option due to their near places to the farmers' living house as well as the competitive

price offered by the merchants. There were only 2.97 percent of the young people sold their Arabica coffee to the brokers (local people called them “agen layang”) and only 0.99 percent sold the product directly to the exporters. The farmers whose direct access to the exporters were young farmers who were also merchants.

**Table 6. Number and Percentage of Young Farmers Sold Their Arabica Coffee, 2015**

Parties the young farmers sold their coffee	Number	Percent (%)
Brokers	3	2.97
Collecting merchants	97	96.04
Exporters	1	0.99
Total	101	100.00

Source: Primary Data, 2015.

All payments were cash. There were no collecting merchants bought the product paid termly or consignment-based. In fact, in case the harvested products were abundance, the most farmers paid 3 days after the coffee brought by the merchants.

**Table 7. Number and Percentage of Young Farmers Based on Their Arabica Coffee Sale, 2015**

Coffee Sale System	Number	Percentage (%)
Directly sold before harvesting	1	0.99
Sold after harvesting	66	65.35
Sold after being processed	34	33.66
Total	101	100.00

Source: Primary Data, 2015.

In a recent year, most farmers has sold their raw coffee or the new harvested coffee (65.35 percent). It means that the raw coffee processing was conducted by the merchant. In addition, even there were some farmers sold their coffee before harvested due to economic reason. In a matter of fact, there were 33.66 percent of farmers sold their coffee after being processed first with the hope they earned higher income (Table 7).

There three kinds of final products of the Arabica coffee processing: *ose*, *gabah* and powder. Most harvested coffees were processed using wet processing system with the result was shelled dried coffee (*gabah*)—about 88.24 percent. There

have been some young people involved in processing coffee with the coffee powder as the final result, still the production had not been continued due to the production was based on the order by certain parties (Table 8.).

**Table 8. Number and Percentage of Young People Based on the Final Result of the Coffee Processing, 2015**

Final Result of the Coffee Processing	Number	Percent (%)
<i>Ose</i>	3	8.82
<i>Gabah</i>	30	88.24
Powder	1	2.94
Total	34	100.00

Source: Primary Data, 2015.

Most processed coffee was sold to the collecting merchants in village or nagori (91.18 percent). Only 5.88 percent of processed coffee sold to the collecting merchants at the district level. In addition, there was only one farmer sold the final processed coffee to the exporter. The exporter only accepted *gabah* as the final processed coffee.

Even though they felt that they earned more income from the benefit of processed coffee, the young farmer thought that there were some obstacles they faced in processing coffee. There were 52.17 percent of respondents reported that there were some obstacles in processing coffee and the rest (47.85 percent of respondents) claimed there were no obstacles at all due to have been accustomed carrying on such a process. The knowledge of processing coffee was from their parents and neighbors.

**Table 9. Number and Percentage of Young People Based on the Place They Sold Their Processed Coffee, 2015.**

Parties the young farmers sold their final processed coffee	Number	Percentage (%)
Collecting merchants in village	31	91.18
Collecting merchants in district level	2	5.88
Exporter	1	2.94
Total	34	100.00

Source: Primary Data, 2015.

There were four major obstacles the respondents faced in processing coffee, i.e. limited capital (22.09 percent), the fluctuated price

of the coffee and tended to be lower during the harvesting time (20.94 percent), pests and diseases attacks on coffee plantation (15.12 percent), the low quality due to the empty contained coffee shell (11.63 percent) and the limited quantity due to the seasonal production (9.30 percent). There is a term the people called it "track" which refers to the condition of low quantity of coffee during the harvesting time.

**Table 10. Percentage of Young Farmers Based on the Obstacles They Faced in Processing Coffee and Coffee Cultivation, 2015**

Obstacles in Processing Coffee	Percentage (%)
Limited capital	22.09
Limited quantity	9.30
Low quality	11.63
Price	20.93
Pests and diseases	15.12
Fertilizer availability	5.81
Limited quantity and price	2.33
Quality and price	3.49
Limited capital and quantity	1.16
Limited capital and quantity, low quality and price	8.14
Total	100.00

Source: Primary Data, 2015.

There had been no access of capital for young farmers provided by the Office of Cooperative and Small Medium Enterprise (SME) of Simalungun Regency due to the absence of cooperative organization. The Office of Cooperative and SME would only provide guidance and capital assistance through cooperative organization as stated by the Head of Cooperative Business Division

*"We have not provided a special program for young farmers. The Office of Cooperative and SME of the Simalungun Regency will only provide guidance and capital assistance through the cooperative institution. Therefore, any time any farmers come to my office, I usually motivate them to found a cooperative institution in case they want to be guided by us."* (RS, 46 years old, the Head of Cooperative Business Division, The Office of Cooperative and SME of Simalungun Regency).

Dealing with the price of coffee, the Association of Arabica Coffee Community of

Sumatera Simalungun (HMKSS) has carried out some efforts to cut the long marketing chain that in turn, would result in the highest price of coffee could be reached by the coffee farmers.

There were some pests disrupting the growth of coffee plantations. The main pest of the coffee plantation was borer, while the main disease that damaging the growth of coffee plantation was leaf rust and fungus.

Dealing with the low quality of the product, introduction the post harvesting technology is necessary to do. The technology includes the raw processing machine to increase the processed coffee. Most farmers used to use simple equipment and tools to process their coffee.

## EFFORTS TO INCREASE THE ROLE OF YOUNG PEOPLE IN COFFEE BUSINESS

Based on the *focus group discussion* (FGD) and in-depth interviews, it was found the roles of young people in the business of coffee must be performed through several ways. There are at least 3 (three) efforts to conduct.

### 1. Provided Trust to the Young People in Managing the Coffee Business

Parents are the main party that should trust the young people to start a business. Most of banks are disincline to lend their money to the early starting entrepreneurs (Aldrich H.E, 2005). In Simalungun, most parents provide their married children a part of land of coffee. The average of the wide area given to them was only 1-2 Rante. Parents who have up to 2 hectares of land (50 Rantes), commonly provide their young people up to 5 Rantes, as stated by one of the fathers below:

*"I have 2 hectares of coffee plantation, 5 rantes of them were given to my youngest son who has just got married. The purpose of giving him such a land was to ask him learn how to plant coffee and cultivate chili. It is impossible for me to work in my plantation area. Why don't they start from now on? And now, the chili plantation they has earned him."* (PS, a Coffe Famers in Nagori Sait Buttu Saribu).

## 2. Developing Coffee Plantation along with Intercropping System

Cultivating coffee plantation intercropped with various kinds of vegetables with short-term life ("young plants") was a common option taken by young people in the coffee business. The various types of short-term living vegetables were cabbage, potatoes, corn, cayenne and red chili. Of the various types of vegetables, cayenne was the favorite one for the young farmers. The yields of the various types of short-lived vegetables were used to meet short-term needs or to consume daily. Whereas, the Arabica coffee was used as future savings.

## 3. The Government's Appreciation Toward Independent Young Entrepreneurs in Coffee Business

Recently, the appreciation of the government of Simalungun Regency has provided for the young entrepreneurs in the coffee business was still limited on providing equipment of processing coffee and lamtoro plantation as the protectors of coffee plantation. Moreover, such assistance was only incidental program carried out by the government. What is more important is any sustainable programs to motivate the entrepreneurs to focus themselves on the coffee business. The appreciation can be in such forms as establishment of young famers', study visits to the locations where the coffee business initiated by young people, training to improve the skills of young people in the coffee business, connecting the young people to the broader markets and provide opportunities for young people to participate in various kinds of exhibitions initiated by the government and private sectors.

## CONCLUSION AND RECOMMENDATION

### CONCLUSION

1. The result of this study strengthens the theses proposed by Lorrain and S. Laverte (2012) who stated that the problems faced by the young people in carrying a business is during the first year. Any program and service from the

government supporting the young people to run their business are important to do.

2. Young people have been involved in all activities of coffee business, but the main role of them was still in the upstream process (coffee plantation).
3. There are some problems/obstacles faced by the young people. The four main obstacles they faced were uncertain income from the coffee business, not owning their own lands, already working for other considered more promising sectors and not interested to involve in the coffee sector.
4. There are also some obstacles the young people had in processing coffee. The four major obstacles the young people faced in processing coffee were limited capital, the fluctuated price of the coffee, pests and diseases attacks on coffee plantation, the low quality of the coffee.

### RECOMENDATION

1. The roles of parents, private sectors and governments are necessary to increase the roles of young people in the business of coffee.
2. Parents should trust their children to manage their coffee business
3. The government should provide more appreciation to the independent young entrepreneurs in handling the business of coffee.
4. To increase the access of young farmers to the various training, a group institution needs to establish that involves the young people in the organization structure.

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