

KMG SMALLHOLDER PARTNERSHIP PROGRAM

SMALLHOLDER AS KEY STAKEHOLDER

Most of Indonesia's natural rubber is cultivated and produced by 2.5 million smallholders with typical average land size of two hectares per family. They constitute about 85% of the national rubber production and 81% of the national rubber land. Large-scale private plantation and state owned enterprises make up the rest of the production and hectarage.

Table 1. Natural Rubber Production and Area in Indonesia

Ownership	2019		2018		2017	
	Production (ton)	Area (ha)	Production (ton)	Area (ha)	Production (ton)	Area (ha)
Smallholder	2,924,943	3,114,523	3,005,027	3,113,418	3,050,232	3,103,271
Government	245,239	234,814	247,416	233,925	249,286	233,086
Private	372,989	326,681	377,825	323,959	380,910	322,733
Total	3,543,171	3,676,018	3,630,268	3,671,302	3,680,428	3,659,090

Clearly, smallholders play a major role in the sustainability of natural rubber as with other perennial commodities, such as palm oil or cocoa. How effective can one prevent the threat of deforestation or to dissuade the use of child labor depends on the degree of willingness on the part of the smallholder to adopt best sustainability practices. On the other hand, a smallholder's economy is vulnerable to drastic climate changes and price vagaries. Should the smallholder falls into a condition where the price falls below a subsistence level for a prolonged period of time, the viability of the smallholder's rubber business would thus be in jeopardy.

PT Kirana Megatara Tbk., has long regarded the community of rubber smallholders as its most important group of stakeholders. As one of the largest group of crumb-rubber processors in the country, it is highly dependent on the continuity of raw material supply that is ultimately produced by smallholders. It is only natural for the company to care about their well-being. Not only that, but the company believes that the sustainability of the whole natural rubber industry necessitates fair returns to every actor in the value chain, including the smallholders.

So in taking the long view, the company's strategic response to address this challenge is by direct engagement with smallholder groups under its Smallholder Partnership Program.

The Smallholder Partnership Program is developed as an outreach program to entice groups of smallholder into a direct long-term association with the company. It is more than just a conventional supplier-buyer relationship. Its aims are:

- To help improve the livelihood of smallholders,
- To raise the smallholder’s productivity and improve the quality of rubber raw material,
- To develop a more efficient supply chain.

Field staffs running the program are called SDOs, an acronym for smallholder development officers. They regularly seek and engage independent smallholders located near and within the larger area surrounding KMG processing factories. As with any extension officer, SDO provides advice for best management and good agriculture practices. But he also acts as a company liaison and an active implementor of any goal-oriented sustainability projects developed at the corporate level.

Activities within the Program can be categorized into two: regular and project oriented activity. In practice, some of the activities are conducted in collaboration with third parties, be they experts, e.g. agronomists, business enterprises, or even government institutions. The need for collaboration is mostly to complement the knowledge of SDOs depending on the specific project requirements.

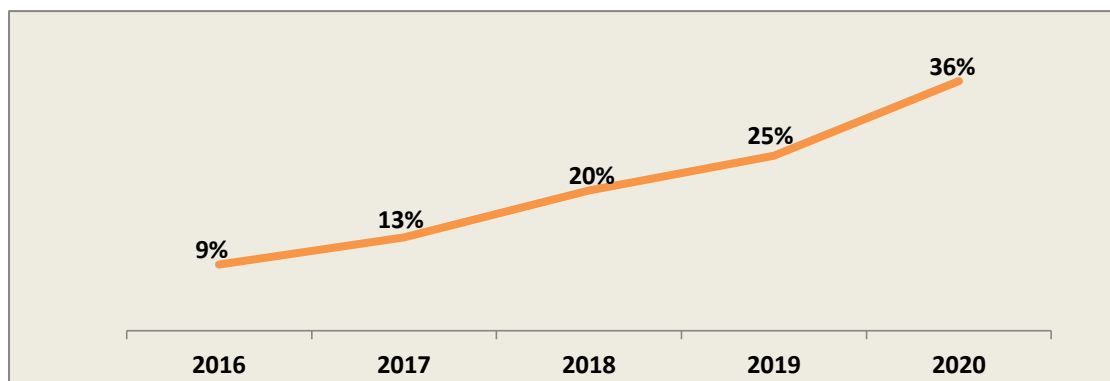
Table 2. Smallholder Groups as Long-Term KMG Partners, 2020

Area	North Sumatera	Riau	Jambi	South Sumatera	Lampung	Bangka Belitung	West Kalimantan	Total
Number of Smallholder Group	62	12	230	258	47	6	78	693
Number of Smallholders	1,034	1,464	3,191	4,769	1,299	461	2,942	15,160
Number of Hectares Owned	6,704	5,041	29,611	32,809	10,775	3,473	71,085	159,497

The number of smallholder groups that are associated with Kirana Megatara Group has grown over the years to reach close to 700. This is equivalent to a total area of nearly 160 thousand hectares of rubber trees. The largest number of partner groups are concentrated in the Jambi and South Sumatera provinces. This is not surprising since these areas represent the highest rubber production in the nation, and so does the concentration of Kirana’s Group of factories.

In general, the quality of rubber from the smallholder groups is much better after going months or even up to a year of consistent good field processing and storage practices. Majority of the smallholders are quite satisfied being directly associated with Kirana’s factories as demonstrated by their business loyalty.

Graph 1. Direct Contribution of Smallholder Partner Groups to Total Tonnage of Raw Material



KEY ACTIVITIES



ON-SITE TECHNICAL SERVICE

Site visits to smallholder’s rubber plots are conducted by Kirana’s SDOs – extension officers – to get early assessment on the plot condition as well as on the agriculture practices. A set of recommendation for improvement is normally given for each site. Regular visits at certain interval ensue to check on the implementation progress and/or to address any arising problems.



SMALLHOLDER TRAINING WORKSHOP

Capacity building for a large group of participants is usually organized through training workshops. The participants are members from various groups, at times from different districts. The value to be gained is not only increased knowledge given by the experts, but also learning from experiences of their colleagues. This kind of exchange is often facilitated by a special session during the workshop.



FARMER CHAMPION AS PROPAGATOR

A farmer usually learns effectively from other farmers. So instead of SDO, a leading figure in the existing partnership network is invited to help spread out good agriculture practices to other potential smallholder candidates. This so-called ‘farmer champion’ receives extra training on how to best represent the company while sharing his or her rewarding experiences.

REPLANTING PROJECT

Aside from the staple of regular activities under the Program, special projects are sometimes conceived intended to address a specific problem area. Such is the case for the rubber replanting project conducted for the past 3 years. The project is to help smallholders to overcome both financial and technical problems related with replanting. It is also strategic in the sense that smallholders are encouraged not to expand their plots for mere production increase purposes thereby minimizing the risk of deforestation.