

## Improving Economic Outcomes for Smallholders Growing Teak in Agroforestry System in Indonesia

### Project background and objectives

Teak (*Tectona grandis*) is one among the commercial and priceless wood species in Indonesia. Teak wood in Indonesia is mainly produced by state owned company (Perhutani), where the plantation forests are located in Java, and millions of smallholder teak producers throughout Indonesia. During 2001 – 2002, the average wood production from Perhutani alone was around 650 thousand cubic meters. The production from smallholders are not well documented, but the latest national census in 2003 reported that the total amount of smallholder's teak trees almost reach 80 million trees with 25 % of them are ready for harvest. Teak wood is used to supply thousands of wood industries with various products, such as fancy plywood, woodworking, furniture and woodcarving.

Despite the major potential for smallholders teak producers to feed the timber demand in Indonesia, there are significant impediments to profitable smallholder teak plantations. Some of these are poor silvicultural techniques, limited market knowledge and restrictive timber regulation policies. Poor silvicultural techniques lead to low quality timber but this can be difficult for smallholders to improve due to lack of capital to invest in teak planting; and, limited ability to wait the duration of a teak rotation before requiring returns. Smallholders also tend to take prices that are often well below market rates because of their limited access to markets, limited market information and inability to overcome transaction costs faced by timber buyers. Further, government policies restrict smallholder involvement in timber production, as regulations designed for large-scale timber production (e.g. cutting and transportation permits, registration procedures) are applied to smallholders.

Supported by the Australian Center for International Agricultural Research (ACIAR), this ACIAR Project No. FST/2005/177 “*Improving economic outcomes for smallholders growing teak in agroforestry systems in Indonesia*” aims at improving livelihoods of smallholders growing teak in Indonesia, through three main objectives, i.e.:

- Improvement of returns for smallholder teak producers by introducing and adapting silvicultural technologies;
- Providing incentives for smallholder participation in profitable teak production by identifying and designing of financing schemes;
- Enhanced market access by smallholder teak producers.

### Project launching and research sites

The first project launching was held at its inception meeting in Bogor on 28 – 30 May 2007. The inception meeting was attended by almost 50 persons; consist of all project members, PAG (Project Advisory Group) members, invited speakers and other related stakeholders from the Ministry of Forestry, private companies, NGOs and local community representative. The meeting has collected inputs from past similar projects, shared knowledge and experiences among the participants and discussed research methodologies and other project operational issues among the project team members. The second launching was held on 18 July 2007 at the district office of Gunung Kidul, Yogyakarta. The project received full support from local government where the Bupati (the Mayor of the district) himself was chairing the meeting and inputs were collected from the regional office representatives.

For detail study and project activities, 7 villages have been selected as project sites. These villages are: Candirejo (sub district Semin), Katongan (sub district Nglipar), Bejiharjo (sub district Karangmojo), Karangduwet (sub district Paliyan), Dadapayu (sub district Semanu), Giripurwo (sub district Purwosari) and Giripanggung (sub district Tepus).



## Partners involved

CIFOR leads to run this project and works with partners from different institutions and backgrounds. The partners consist of scientists from ICRAF (International Center for Research in Agroforestry), ANU (Australian National University), Inter-CAFÉ IPB (International Center for Applied Finance and Economics Institut Pertanian Bogor), FORDA (Forestry Research and Development Agency) and the FFC (Farm Forestry Consortium), the local NGO from the District of Gunung Kidul.

Key personnel of the project team includes Dede Rohadi (Project leader - CIFOR), Ani Adiwinata Nawir (Socio economist - CIFOR), Philip Manalu (Research assistant – CIFOR), Dr. James Roshetko (Trees and market specialist – ICRAF), Gerhard Manurung (Silviculture specialist – ICRAF), Iwan Kurniawan (Marketing specialist – ICRAF), Dr. Michael Blyth (Economist – ANU), Dr. Nunung Nuryartono (Micro finance analyst – InterCAFÉ IPB), Nuning Kusumowardhani (Economist - InterCAFÉ IPB), Jaenal Effendi (Economist – InterCAFÉ IPB), Agus Astho Pramono, Ika Heriansyah and Anies Fauzi (Silviculture specialists – FORDA), Sulistya Ekawati (Socio-economist – FORDA), M. Joko Sasono, Murbani and Purnomo Sumardamto (District officers – FFC) and Suparman (Field coordinator – farmer group representative).

## Progress activities

During the first year, some project activities have been completed, i.e.:

- Preliminary visit to Gunung Kidul in 2 – 5 May 2007 to collect initial data and information regarding the project sites and build contact with local partners;
- Project inception meeting in 28-30 May 2007 at CIFOR campus, Bogor;
- Project launching at Bupati of Gunung Kidul office on 18 July 2007;
- Household survey during August and September in the 7 selected villages, involving more than 250 interviewed households;
- Comparative study visits by project scientists and smallholder representatives to industrial teak plantation (Perhutani) and community teak plantations;
- Focus group discussions at Wonosari (district capital city) participated by more than 60 smallholders representatives;
- PRA survey on silviculture, marketing and policies related to smallholder teak production.

## Forthcoming activities

Some important activities during the early next year will include:

- Demonstration plot establishment of the improved silviculture practices on teak farm management (March, 2008);
- Local workshop at district level to report the progress of project activities to and collect inputs from local stakeholders (April, 2008);
- Project annual meeting to report the progress of project activities to and collect inputs from PAG (April, 2008).



Typical tegalan (taungnya) teak-agriculture crops system at Gunung Kidul (Photo by Gerhard Manurung)



Industrial teak nursery center, Perum Perhutani (Photo by Anies Fauzi)

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