## JAPANESE FACTORY VISIT TOUR

Development of Food-Value-Chain in ASEAN 2016

Improving the Performance of Indonesian Food Value Chain; Learning from Japanese Companies' Best Practices

Final Group Presentation by Indonesian team

Supported by









# Inclusiveness, Fairness, and Sustainability: An Introduction to Food Value Chain in Indonesia



## The Fact of Indonesia (Word Bank, 2014)

- Total Area: 1,919 million km<sup>2,</sup> over 17 thousand islands
- Indonesia is the fourth most populous country in the world, in 2014 the population reached 250 million (World Bank, 2014), with the growth 1.2%

•	POPULATION (% total population)	1995	2000	2005	2010	2050*
	Rural	64	58	52	46	33
	Urban	36	42	48	54	67

Source: Word Bank

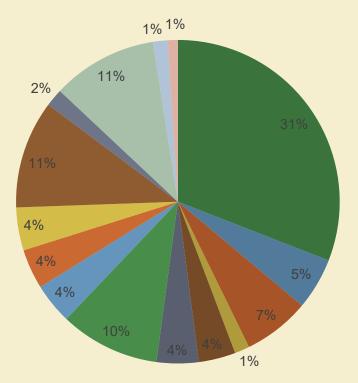
• Indonesia's economy is forecasted to be the world's 7th largest by 2030 è Currently the world's 16th largest with total GDP 2013 (Purchasing Power Parity): \$1.285 trillion.

•		1965	1980	1996	2010
	Agricultural	51%	24%	16%	15%
	Industries	13%	42%	43%	47%
	Services	36%	34%	41%	38%

## Why Inclusiveness, Fairness, and Sustainability is Important to Indonesia Food Value Chain?

#### Inclusiveness

#### **Non-Oil Processing Industry**



- ■F&B Industry
- ■Tobacco Industry
- Textile & garment Industry
- Leather & footwear Industry
- ■Wood, Wooven, Bamboo & Rattan Industry
- Paper, Printing, Reproduction media
- Recording Industry
  Chemicals, Pharmacy & Traditional herbs
  Industry
- Rubber & Plastic Industry
- ■Non metal mining Industry
- Basic Metal Industry
- Metal, Computer, Electronic, Optic, and Electric Industry
- Machine Industry
- Transport Industry
- Furniture Industry
- Others Industry, Machine Repairing

#### Limitation:

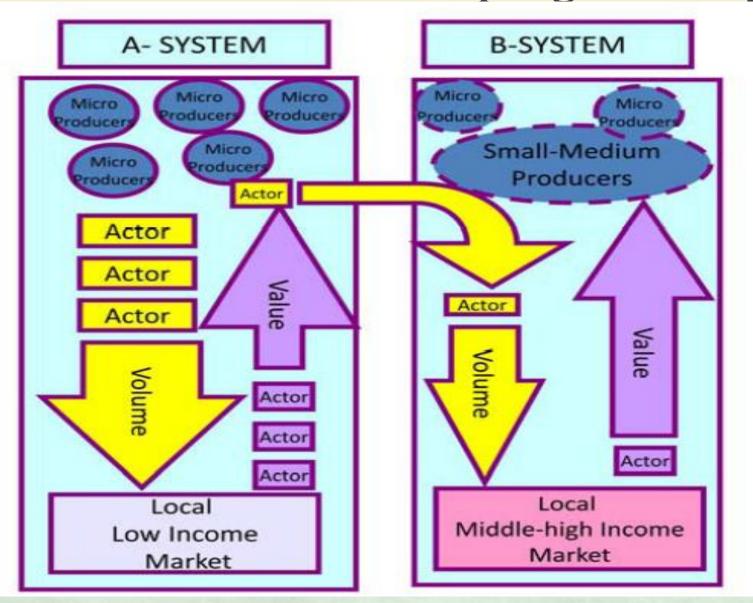
- 1.Limited access to technology
- 2.Limited in financial support
- 3.Limited in education and training
- 4. High fluctuation in raw material prices

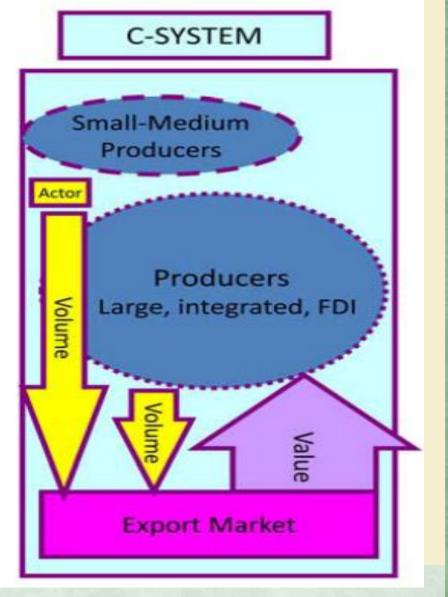
## Why Inclusiveness, Fairness, and Sustainability is Important to Indonesia Food Value Chain?

**Fairness** 

Payment System Standard of Food Safety and Quality Price

## Value Chain in Developing Country (Ruben et al. 2007)





## A-System

## UPSTREAM

## MIDSTREAM

## DOWNSTREAM

 Independent farmers who have low production; unsupported marketing channel

Farmers

#### Collector Traders

 Traditional trades who gather, buying, and sell of yield from farmers  Small Industry who process and innovate of food product with low production

Processing

#### Small Retailer

Small
 Business
 entity who
 distribute and
 marketing a
 food product

 a person or group of people who make decision to purchase a low quality product for consumption

Consumer



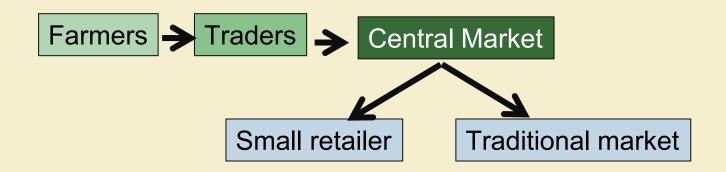








## Fresh Potato Value Chain



#### Seed/input company

Supply seeds and other inputs

#### **Farmers**

- Small farmers
- Low productivity
- Acces to market is restricted

#### **Traders**

- More than one trader
- Buy product from farmers
- Sell product to next trader or central market

#### **Central market**

- Located in city
- Collect products from villages
- Distribute to traditional market or small retailler

#### **Small retailler**

Sell to end customer (household)

#### **Traditional market**

- Sell to end customer
- Customers (household, restaurant)

## **B-System**

## **UPSTREAM**

## MIDSTREAM

## DOWNSTREAM

 farmers or members of farmer groups who have a partnership with the cooperative / company

Contract Farmers

## Cooperative

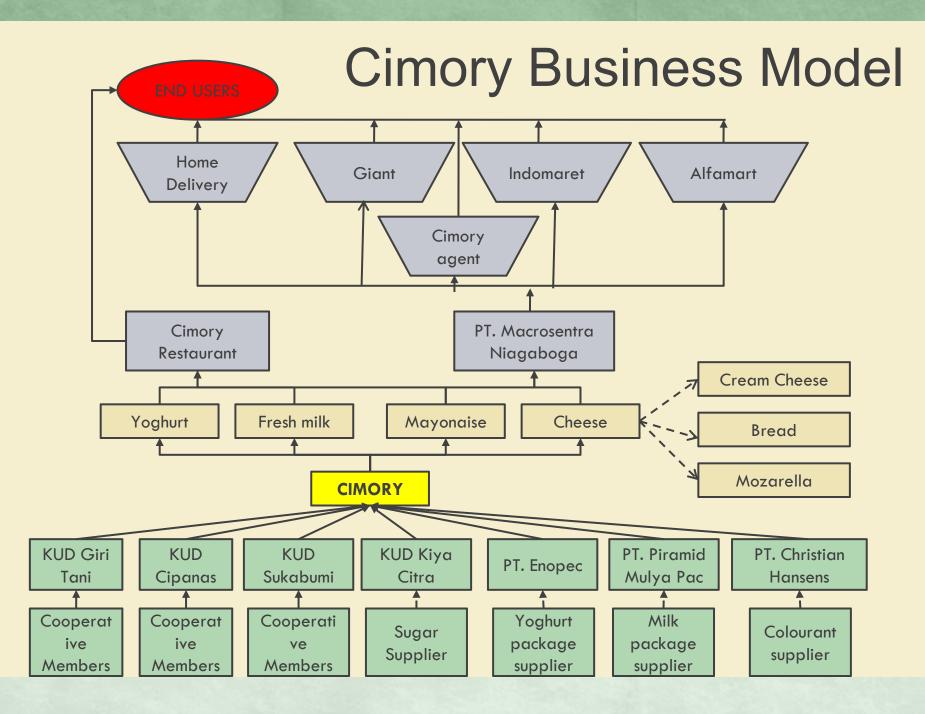
 a place to gather farmers with specific standard products  Food Industry who process and innovate of food product with middle/high production

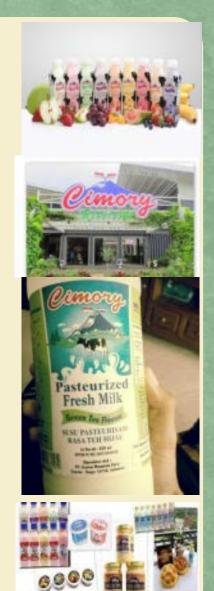
Processing

#### Retailer

 Business entity who distribute and marketing a food product in the middle up (a modern market)  a person or group of people who make decision to purchase a good quality product for consumption

Consumer





Source: IFC, 2011

## **C-System**

## **UPSTREAM**

## MIDSTREAM

## DOWNSTREAM

 farmers who have a partnership with the company; company integrated farm

Contract Farmers/
Company Farm

#### Processing

 Integrated Food Industry who process and innovate of food product with export quality Integrated
 Business who
 distribute and
 marketing a food
 product

Retailer/ Distributor

#### Consumer

 a person or group of people who make decision to purchase a good quality product for consumption

## Greenfields Indonesia Business Model

kabarbisnis.com, 2016







malangkab.go.id, 2015

camemberu.com, 2012



Unit





lifull-produk.id, 2016



linkedin.com, 2016



camemberu.com, 2012

# What have we learned from japanese companies?



Takeyoka Soy Sauce

Operation and Production



FUJI OIL

**AJINOMOTO** 



2 Innovation

3 Culture





### **Efficiency with High Technology:**

e.g using genomic intervention to insert traits in Takii Seed



## Sensitivity to customers' needs:

AEON, translated consumer demand into their product development



## Traceability:

Fuji Oil uses raw materials with certification e.g. RSPO for palm oil.



#### **Integrated Company:**

Ajinomoto has been developed a new business platform to support their cores

## 2 Innovation Best Practices of Japanese Company





#### **Zero Waste**

Yoshinoya, Re-use of the outer leaves of vegetables and deliver to Toubou doubustu zoo



## **Product development giving to customer feedback:**

AEON pursuing ease of understanding through the brand structure and labeling



## Strong R&D:

Fuji Oil has developed soluble soy polysaccharides

#### **Social Contribute:**

Fuji Oil provides social contribution activities by supporting small-scale farmers in Borneo

Takeyoka Soy Sauce

#### Make a unique product:

Yamata soy sauce has been preserved their traditional shoyu making-process



#### **Good ethics for Business:**

Fuji Oil has a good principle in business by allowing other companies to use their product as raw materials

### **Disabilities employees:**

Japanese food industries acknowledge the presence of disabilities employees as part of their business supports

## Food Value Chain System in Japan

**UPSTREAM** 

MIDSTREAM

DOWNSTREAM

- Overseas Supplier
- Local Supplier
- Contract farmer

Raw Material Suppliers

### Processing

- Replacing human resource
- Product Development

- Fair price
- Maintain quality

wholesaler

#### Retailer

- Customer
   Statisfaction
- Demand of high quality product
- Enviroment Concius

Consumer

# Strengthening the weakest points of Indonesia Food Value Chain; Indonesia expectations to Japanese Companies

## **Inclusiveness**

Make a new business model which can improve the productivity of small farmers.



## **Fairness**

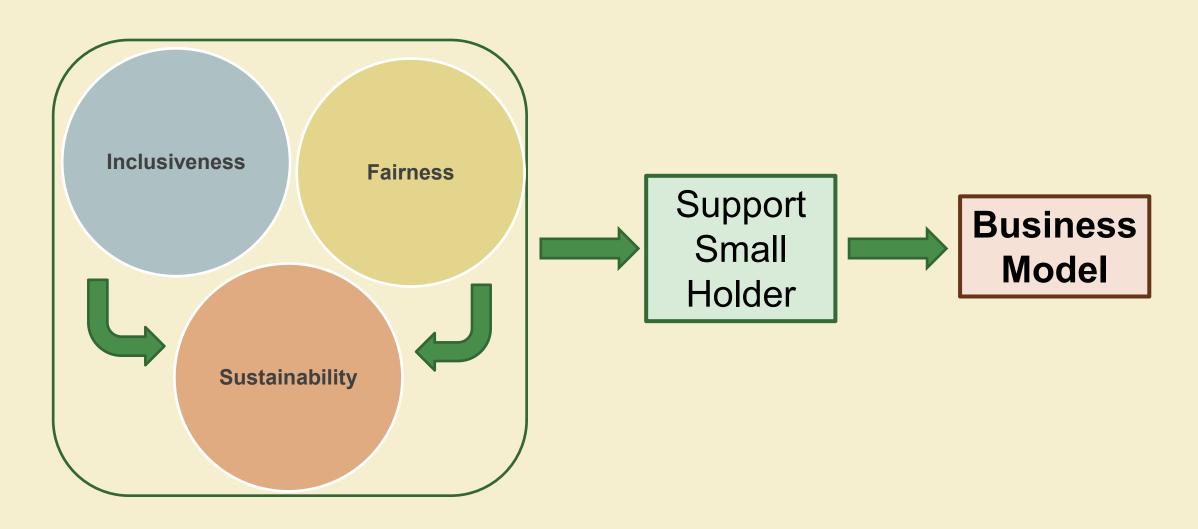
providing them with the fairness in price and terms and conditions

- payment systems
- -standard in food safety
- -quality, etc.

## Sustainability

the inclusiveness and the fairness are a **guarantee** that the food factories will be survived since they provide the "**good values in business**".

## **Concluding Remarks**



Thank You