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Annual report

project

Benchmarking the beef supply chain in Eastern Indonesia

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1 Progress summary

Objectives

The project aims to develop a supply chain benchmark of the Eastern Indonesian beef sector to provide market intelligence and enabling more effective engagement of future activities in the sector.

The project is of pioneering character in several ways:

- It covers the whole beef supply chain from farm to consumer, not just a part of it.
- It generates the majority of the data itself via group meetings and interviews.
- It covers five regions throughout Indonesia and brings five institutions to work together (Charles Sturt University, ICASEPS in Bogor, the BPTPs in NTT, NTB and South Sulawesi).
- It tries to change the view from farm-level to supply-chain level.

Activities

In the first 13 months of the project (May 2008-May 2009), work included activities on all six project objectives. Data on farm level and beyond farm level were collected, the analysis of farm level data is almost completed and the beyond farm analysis has started. Training and direct assistance to project partners are continuously incorporated in the activities. Focus points so far were three project workshops and common data collection and analyses. Permanent - mutual - learning is further assured by regular communication between Indonesian and Australian team members.

Outputs and milestones

The beef supply chain is driven by an increasing demand for beef as a result of raising incomes. Live cattle traders transmit the demand to the farmers. The high demand has resulted in a decline of cattle numbers and average slaughter weights because productive female cattle are killed and animals are slaughtered at premature weights. Regulations to prohibit the slaughter of females as well as breeding programmes to rebuild herd sizes seems to have a limited effect according to interviews in the project regions where participants in the supply chain continuously report the lack of cattle as a major problem. These statements are in contrast to official statistics showing increasing cattle inventories.

The farm level interviews confirm that a cash requirement for special occasions like weddings, birthdays, funerals and school start is the main reason for selling cattle and not the optimum, breed specific weight or carcass conformation. Prices in NTT are lower than other regions whereas in South Sulawesi prices seem to be higher than average. Enormous productivity and cost differences between regions and production systems can be observed but there are profitable as well as unprofitable farms in all regions and systems. Calf losses in NTT are down from record highs but remain at almost 20 percent with potential to be further lowered.

The absence of scales at farm level means there is no reliable data about live cattle weights. At present, traders estimate the weight of the cattle and pay on a per head basis. The knowledge of accurate cattle weights, however, is a precondition for selling at optimum weight, better market transparency as well as for breeding programmes and research. In this context, farmers interviewed asked for an improvement in regular market and price information.

In the meantime, traders get involved in production to secure their supply on a larger scale, for example in NTT. However, any increase in cattle numbers must be accompanied by an increase in productivity. Daily weight gains remains in most cases significantly below the breeds' potential due to low quality and quantity of feed.

In the Jakarta market, imported live cattle and beef imports are increasingly important, and are now more than 30 percent of the consumed volume. The customers in Jakarta have got used to eating beef of non-Indonesian production that is imported from Australia (beef and live cattle) and New Zealand (beef). Wet market prices for imported beef are approximately 10 percent lower than domestic beef. The interviews showed that with the shift in consumption, consumer preference in Jakarta seems to change and the origin of cattle is not a priority with freshness, tenderness and hygiene ranking higher than domestic/local origin. The approval of additional imports from Brazil and India will put further pressure on local beef prices.

At the same time, the beef consumption in the eastern Indonesian region is on the increase. It has become more costly (due to transport costs) to export cattle from eastern Indonesia to Jakarta and the regional increase in demand for beef has narrowed the gap between Jakarta and regional prices, for example in Surabaya. The long and risky transport of live cattle from eastern Indonesia to Jakarta has become less profitable. The inter-island transport study on live cattle 'export' from NTT to Jakarta revealed inadequate boats, a lack of feed and water, stress for the animals resulting in low feed intake during the 14 day journey and leading to cattle mortality and weight losses, costing the industry millions of dollars every year and reducing the much needed cattle supply in Jakarta. Given the multitude of issues surrounding the inter-island transport system, improvements should therefore have a broader base, tackling the underlying factors, instead of just curing symptoms like low feed quality and quantity.

Next steps and recommendations

The project has gained an insight to the most likely development of the supply chain, which will be confirmed. The initial results have led to a future focus of the project on the beyond farm level due to the latest market developments. The farm level analysis should therefore be concluded by end of 2009 (including international context benchmarking, updated from 2007 to 2008).

Consequently, the beyond-farm analysis has been extended by interviews with processors and beef/live cattle importers which were identified as important for the changes on the demand side. Further, the work on the five existing levels of the supply chain will be continued by improving quality and/or quantity of the data.

Based on farm-level and beyond farm findings, the process of recommendations has started. These include and will be further analysed:

- Linking small-holders to local markets instead of Jakarta market
- Branding for Eastern Indonesian beef
- Industry/policy fund to provide micro-finance and breeding
- Inter-island transport best practice pilot study
- Cattle insurance
- Market and price information system on beef and livestock prices
- Introduction of scales throughout the supply chain
- Eastern Indonesia Beef Forum (an inter-professional body where the supply chain meets)
- Further training for project members on monitoring, analysis and benchmarking
- Policy recommendations (more market, less regulations)