

Through Internal Control System, Jatirogo Organic Coconut Sugar Farmers Gained Access to the Export Market

By Theresia Eko Setyowati

Theresia was born in Purworejo-Indonesia, November 19, 1972,

Contact Address:

Rt 13/04, Kroyo, Karangmalang,
Sragen 57221-Central Java-Indonesia
Mobile phone: 08121530577
Email: thekosetyowati@gmail.com

By founding Jatirogo organic coconut sugar ICS, 1,554 farmer members now have stronger bargaining power in marketing organic coconut sugar. Jatirogo organic coconut sugar ICS has succeeded to export its organic *gula semut*. By obtaining international certifications (EU Regulation, NOP-USDA, and JAS), KSU Jatirogo sends organic *gula semut* to various countries, such as the United States, Australia, and European and Asian countries, by collaborating with KSU Jatirogo and exporting companies.

Many people question the ability of farmers to export their produce. By organizing themselves in producing organically, the organic coconut sugar farmers in the region of Menoreh Mountain have since 2008 proven their ability in exporting *gula semut*. Since 2011, they have also been able to fund international certification independently, without supporting donors.

The Long and Difficult Process of ICS Development

The long process of developing an organization of organic coconut sugar producing farmers to improve the welfare of its members is not easy. Starting from 2007, the ICS unit started to identify the potentials of coconut sugar product, and introduce the product to farmers. The ICS staff has identified seven districts that produce coconut sugar in the region of Menoreh Mountain. Their products have been distributed to other regions, but not all farmers applied organic practices. Therefore there was a need of mapping the districts and investigating

whether the farmers in those districts use chemicals, in particular regarding land management and sugar production.

The process of promoting organic coconut sugar ICS started in 2008, going from one village to another, in the five districts that were identified as applying organic practices. This promoting process was also challenging, because not all farmers responded positively. The ICS cadets finally succeeded in recruiting around 1600 farmers to be ICS members, out of a total 5 thousand farmers in the region.

In the next stage, ICS performed full internal inspection to each registered farmer. With high motivation, the ICS executives and internal inspectors examined the plots and production process. This internal inspection took a relatively long time: around one and a half months. They finally selected 1260 farmers to be included in the application of organic coconut sugar certification.

The organic certification implemented by Organic Coconut Sugar ICS is the international organic certifications by referring to EU-Regulation organic standards (Europe), JAS (Japan), and NOP-USDA (the United States). Up to 2012, ICS members counted 1554 farmers from four districts – while previously there were five participating districts. It shows that even though the benefit of becoming a member of the Organic Coconut Sugar ICS is real and visible, not all ICS members were able to consistently follow the rules. In 2012, one district was excluded from the system because the farmers violated ICS organic rules. Due to the fatal violation of the organic land management rule, they received the sanction of exclusion from ICS membership.

Even though ICS Jatirogo has been able to market gula semut to various countries, it still faces many challenges, such as controlling organic assurance, funding (investment), human resources, marketing, and organization strengthening. Sustainable marketing is an important key for farmers to retain their membership within ICS. Therefore, the ICS organization, which has become the Multi-business Cooperative (KSU) Jatigoro since 2008, must be able to collaborate with various parties to reach its vision and missions. Knowing and understanding product value chain managed by ICS also helps in the efforts toward

strengthening the farmers and markets, because maintaining the organization is a more difficult task than founding it.

The success of ICS system implementation depends heavily on the solid farmers' organization, with database containing farmers' data, product types, plot area, and routine field inspection as a form of monitoring implementation of system as required by the organization, and inspecting plots, production units, processing units, storage units, marketing units, and documenting of all ICS activities. ICS Jatirogo applies annual internal inspection system. By full internal inspection, each farmer is examined by internal inspectors. Continuous capacity building of ICS organization (executives and members) is the main prerequisite of dynamic functionality of quality assurance institution. ICS organization will thrive if ICS executives and members and other related parties support ICS activities to improve ICS members' welfare.

There are various models of ICS organization, which may dictate the success of the developed marketing efforts. In general, the cooperative model is often chosen because of the embedded spirit of community. In this model, production and marketing capital is collected from internal financial sources. All profits of the cooperative are also part of the improved welfare of its members. But if the institutional management is not handled by professionals with good intention, the success of the cooperative would not affect its members. Besides, the cooperative model runs the risk of internal conflicts of interest between members. Quick decision-making might not be possible due to the need to consult members with various views. There lies the challenge of running a successful cooperative.

Implemented ICS refers to product standards approved beforehand by ICS members independently. It serves as a guide for assuring the quality of organic products of the ICS unit, including consistent adherence to organic practices both in farmland, processing, and marketing. Sustainable marketing of ICS members' products is a key to the survival of ICS organization. The ability of ICS organization in improving the welfare of its farmer members should be visible to other farmers to attract them to join. In marketing products, consistent control of quality, quantity, and supply is the key to sustainable marketing.

The success of ICS organization activities requires the roles and responsibilities of all stakeholders: producing farmers, farmers' organization in the region, guiding NGOs, consumers (both local, national, and international), financial institutions, private sector (companies), local, national, and international traders, government agencies, regional government (related to supports through policies, programs, financing, human resources development, etc.), and other parties that can help as angel investors.