Succeeding in the Organic Rice Market in Indonesia with SRI:
THE CASE OF PT BLOOM AGRO

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BACKGROUND

THE COMPANY: PT BLOOM AGRO

PT Bloom Agro has a double bottom line. They want their farmers to receive the best possible price for their unique product: Organic rice that is grown using a method that saves water and increases yields

THE FARMERS: SIMPATIK FARMERS COOPERATIVE

Bloom Agro's rice is grown by the Simpatik Farmers Cooperative. Located in West Java, the cooperative includes some 2,300 farmers. All are experienced rice growers. Through their arrangement with Bloom Agro, their facilities have been certified organic. This added value allows them to receive a premium for their products.

PROBLEM

PT Bloom Agro needs to increase their domestic sales in addition to meeting the demand for organic rice in mature markets abroad to ensure income stability for their farmers

PRODUCTS

Bloom Agro sells organic rice varieties native to Indonesia. Their products are high in antioxidants, minerals, and overall nutritional content.





	CURRENT STATE	DESIRED STATE
Sales Mix		
Volume	4 Containers/yr	52 containers/yr

MACRO OVERVIEW

INDONESIA

Economy

- Indonesia has a market-based economy in which the national government plays an important role
- Private consumption and exports amounted to 65% and 33.5% of gross domestic product, respectively

Government

- Indonesia has a presidential system and current President Susilo Bambang Yudhoyono is Indonesia's first democratically elected President
- The domestic market for milled white rice is heavily controlled by government intervention. These interventions are credited with bringing Indonesia from being the world's largest rice importer in the 1960's to achieving self-sufficiency by the 1980's. Specialty rice, which includes organic, is unregulated

Agriculture

- Although the number of Indonesians employed in Agriculture is declining, the sector still employed 33.8% of the workforce in 2009
- In 2008, agricultural exports were mainly led by palm oil, rubber, palm kernel, oil, cocoa beans, coffee and coconut oil
- Organics account for less than 1% of the agricultural sector

SYSTEM OF RICE INTENSIFICATION

The Simpatik Farmers Cooperative grows rice using a method of production known as the System of Rice Intensification (SRI). This system reduces inputs of fertilizer, seed, and water by up to 50%, while it increases yields by an average of 47%. SRI achieves higher yields than conventional farming by:

- Reducing the number of seedlings planted per hole
- Spacing seedlings further apart
- Planting young seedlings that have more root branches and more resulting tillers than older seedlings
- Weeding paddies instead of relying on flooded land to control weeds



ORGANIC CERTIFICATION

Within Indonesia there are 7 bodies that provide organic certification based on national organic standards. To be certified as nationally organic, agribusinesses can go to any certification body to request a certification test. To export products, a producer must obtain organic certifications specific to the country of import.



ORGANIC SECTOR

Retail

- The organic sector is fairly new, estimated at only 10 years old
- Its target markets are concentrated on Java and Bali
- On Java 20 retail outlets carry organic products
- Organics carry a 30% to 40% premium over non-organic products

Consumers

- Not concerned with specific certifications
- Purchase organics for health, nutrition and lifestyle reasons
- Generally wealthy, have high education and live in urban areas
- Disproportionate number of Chinese-Indonesians and expatriates

SUPPLY CHAIN: BLOOM AGRO AS A FACILITATOR

Farmers' Fields → Simpatik Cooperative's Warehouse → Distributor's Warehouse → Retail Outlet → Consumer

RECOMMENDATIONS

MARKETING

- Train retailers and in-store employees on product knowledge; conduct in-store demos and tasting for consumers
- Consider lower cost packaging with less waste for the domestic market
- Create value proposition based on taste and health and not on certification and environmentalism
- New product development targeting new customer segments such as children and patients

DISTRIBUTION

- Aggressively pursue institutional sales to hospitals and schools, the food and beverage sector, and the tourist sector through distribution channels

GOVERNMENT RELATIONS

- Set lobbying as a low priority and do not expect large returns

ORGANIZATION

- When revenues increase, prioritize hiring new employees to capitalize on the founder's personal strengths

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