

KUD SEMANGAT

1. Present situation of KUD

(1) General Characteristics of KUD area

KUD Semangat administratively is in the Subdistrict (Kecamatan) Perwakilan Sidenreng, District (Kabupaten) Sidrap, South Sulawesi Province and it cover three (3) towns and a village which occupy western half of the Subdistrict . Currently, however, statistics on agricultural production for District Sidrap deals with Subdistrict Perwakilan Sidenreng as a part of Subdistrict Maritengngae where . KUD Sipatuwo exist as a neighbouring to the KUD Semangat. In terms of "Agro-eco" system classification, together with the other 2 KUD in the District Sidrap, the area of the KUD belongs "Irrigated".

KUD Semangat is in the midst of vast paddy field in Province South Sulawesi. Almost all of the areas are paddy field as high as 25m above sea level with well-developed irrigation facilities which enable the area to realize twice paddy harvests in a year, i.e. around April and August. Palawija which is usually grown as second crops for a paddy is not very important in this area of KUD.

Paddy field in KUD Semangat extends as large as 4,112 ha which are cultivated by 1,657 farm households with a fairly large average holding of 2.5 ha. As rice is the most important source of farm income in this KUD area, it is crucial to achieve an improvement both of productivity and of quality of rice in order to expand markets with established brand name which should attract consumer market.

Labour shortage will be common to the other area in the region and in order to cope with the issue, farm mechanization introducing a 2-wheel tractor/tiller is proceeding steadily. According to a survey with a help of field observation, one out of two to three farm households seems to own a 2-wheel tractor/tiller.

A part of farmers in the area of KUD started to engages in other farming activity like portly and vegetable cultivation but the number of such farmer is still smaller than the case seen in KUD Sipatuwo.

(2) KUD's General Characteristics

(1970, Established)
(1992, KUD Mandiri)

This KUD in the same Sub-District Maritengngae of KUD Sipatiwo, serves 4 villages. The specific area character is also almost the same of that of KUD Sipatiwo, favored with 4,000Ha irrigated land.

80% members are said to be full-time farmers who manage 1-2 Ha to grow paddy as the average size of area. There is nothing other industry but rice growing and processing in this area. The electric distribution has not been served yet to all KUD area.

The KUD's main operation is its business related to rice procurement, rice processing, institutional credit channelling, electricity fee collection. 1,000 members joins into the KUD, which hires 7 employees.

The main facility owned by KUD is nominally 1 ton/hour R.M.U with 2,000 m²(12tons/day)drying floor. Actual operation ratio of R.M.U is about 1/3. although it was run by the contractor since two years ago.

The business Volume was 1,377.8 Mil Rp, almost the same amount of South Sulawesi province average in 1995, but it made a big leap to 3,105 Mil Rp in 1996 in appearance.. The surplus fund ratio to the total business volume reached below 0.2% very low.

Continuously interested in R.M.U operation renovation, the chairman is eager to expand the brand rice marketing in UjungPandung through KUD. From now on the KUD business and service shall be activated, if the credit on investment and working capital for the new R.M.U with ample drying, storing and transportation capacity be admitted and hire or foster their good manager.

(3) Management and Organization

{1} The Running of the Organization

KUD SEMANGAT was established in 1970, registered as a KUD in October 1988, and sanctioned as a KUD Mandiri in April 1992.

Since its founding, the KUD has made very substantial gains in membership; from 273 in 1980, membership rose to 1,040 in 1990, and now stands at 1,080. This amounts to 26.3% of the 4,100 adults living in the area, a percentage that is higher than both the average for the province and for Sidrap district.

There are 1,657 farm households in the area, of which 1,080 households belong to the KUD. The membership rate among farm families is thus a high 65.2%.

With no female members in the organization, the KUD has low rate of female membership (0%).

The policy of the KUD is to have the various segments of the population that can use the KUD (farmers, fishermen, craftsmen, merchants, and livestock farmers) join the KUD. However, many of the members are farmers.

The KUD's area of operation encompasses four villages (DESA) in sub-district MARIENTENGAE. There are four other KUD in the sub-district.

Qualifications for membership are that a person be an adult living in the area of operations, pay a membership fee of Rp 1,000, and make a deposit of Rp 100 in compulsory savings each month.

Membership in the cooperative offers benefits such as follows;

- Advantageous electricity fee
Based on the agreement between KUD and electric power company, members of KUD can enjoy discount of Rp200 per month compared with non-members
- Delivery of fertilizer
KUD will deliver fertilizer directly to members house but non members have to pick it up at warehouse of the KUD.
- Advance payment (loan) of rice marketing account
Members are possible to receive loan as advance payment of rice marketing account during the period of after selling rice to KUD till KUD settle the accounts.

There are 60 farmers' groups (kerompoktani), in which 1,080 KUD member farmers participate. all members of KUD are participating farmers' group. KUD has a policy to merge 60 groups into 50 groups. Relationship and cooperation between farmers' groups and KUD are as follows;

- The KUD uses the group to draw up the farming plans required for KUT loans application:
- The group is engaged in collection of paddy from individual KUD members and formulating a plan for repayment of loan through marketing

accounts of paddy. KUD is using the result of th works.

The KUD's five directors consist of the head of the cooperative, two deputy heads of the cooperative, one executive director, and one director in charge of accounting. Regular board of directors' meetings are held once three months. Three of the directors are self-employed, two are engaged in agriculture. The KUD has not elected auditors, when directors were elected in the general meeting held in 1st July, 1997.

Based on the Ministry Ordinance for "policy for rationalization" by Director General of the Ministry of Cooperatives and small enterprises released in 20th June 1997, KUD which has appointed general manager doesn't need to appoint auditors. The KUD followed the Ministry Ordinance. In case KUD doesn't appoint auditors, directors can audit KUD, this is the different system from the case of Japan. Hence, directors in addition to business execution, audit the results of business execution of themselves.

The KUD has also four BPP (advisors), who are engaged in consultation to directors in such cases of delay of repayment of loan by members etc.. The appointed advisors are composed of a head of village and others are leaders of villages.

The general meeting was held in July 1997, attracting 103 participants who are representing from 60 farmer's groups. Preliminary general meetings are convened at 4 places precede one week for general meeting where explanation of the minutes and question and answer sessions were held. In our judgement, the general meetings are run democratically.

The KUD operates seven sections under the general manager: rice, production materials, a rice polishing facility, KUT, financing, purchasing outlets (waserda), and electricity fee collections.

According to its operating report for fiscal 1995, the KUD had 6 regular (full-time) employees (3 men and 3 women) in addition to the general manager. There were also 15 persons working for the KUD as temporary employees.

The regular employees were assigned to the daily tasks of the organization as follows: general manager 1; general affairs 1; purchasing 1; electricity fee collection 2; rice milling facility 2; in addition, paddy drying facility, 10 (part-timers); saving and loan business 5 (temporary employees).

Thus, although the number of regular employees is small in proportion to the range of the KUD's business operations, the KUD has compensated for this insufficiency by using temporary employees.

At present no farm management guidance is offered by the KUD to its members.

{2} Management

Total business volume (including commissions and service income) in 1995 were about Rp 1,378 million, of which the marketing of rice accounted for Rp 737 million, or 53.5%, and the supply of fertilizer accounted for Rp 553 million, or 40.1%. Together, these two activities composed virtually all of the KUD's business. Among its other activities, the KUD was involved in the collection of electricity fees, transportation services, tractor operations, rice milling, and cooperative insurance, but the commissions and other revenue from these activities were insignificant.

Gross profit (revenues minus cost of sales) was Rp 42 million, of which transportation services accounted for Rp 20 million and fertilizer accounted for Rp 10 million.

Business profit (gross profit minus operating expenses) was Rp 15.2 million. The KUD reported no non-operating revenues. Its net surplus was a small Rp 3.3 million, which was less than one-third of the average for the state of Rp 9.7 million.

Furthermore, the KUD categorized operating expenses and general expenses differently from agricultural cooperatives in Japan. This resulted in a different concept of business profit.

Total of current surplus of fiscal 1994, 1995 and 1996 has been carried forward to the following fiscal year and KUD allocate the total amount for own capital. In 1997, the current surplus accumulated total of 3 years Rp 10,125,000 was carried forward to the next fiscal year and those were not appropriated for dividend or reserves. In 1993, current surplus was appropriated for reserves and dividend as follows

The appropriation of current surplus of fiscal 1993

Transfers to internal reserves:	40%
Dividends to members:	40%
Bonuses for directors:	5%
Bonuses for employees:	5%
Education fund:	5%
Fund for social contributions:	2.5%
Fund for building repairs:	2.5%

As this indicates, the KUD is endeavoring to build a firmer base of own capital by allocating funds to internal reserves. After approval at the general meeting, these allocations are transferred to current liability and capital accounts, and expended in the following year or in later fiscal years.

Dividends to members were provided 50% in proportion to savings and other 50% according to patronage of KUD's fertilizer business and rice business.

The balance sheet showed total assets of Rp 722 million, a Rp 206 million increase from the previous year, or in percentage terms an increase of 40.0%. This change was attributable largely to Rp 174 million in new loans, of which most were made to non-members for the purchase of tractors (in kind). The source of the funds was long-term loans to of Rp 184 million from state-run enterprises (BUMN), of which Rp 179 million came from Pertamina, the state-managed oil company with interest rate of 6% / year.

Loans from state-owned enterprises began in fiscal 1995, however, the tractors were not suited to the local farm works and 23 tractors were not used actually. The KUD applied recall to the state-managed oil company and the company is looking for the suitable place to use the tractors.

Loans outstanding were Rp 543 million, of which Rp 287 million, or 53%, was in the form of KUT loans. Loans related to the KUD's savings and loan business accounted for a mere Rp 690,000.

On the other hand, loans to non-members amounted to Rp 165 million, or 30% of loans outstanding. The bulk of these loans was the tractor-purchase loans made to non-members in fiscal 1995.

The reserves for bad debt was Rp 3.5 million, or only 0.7% of outstanding loans. Moreover, in spite of the large increase in loans extended, this amount of the allowance was not increased.

The KUD purchased no new fixed assets, and has been depreciating its currently owned assets in an appropriate manner.

Investments consisted of membership fees and compulsory deposits in PUSKUD, INKUD, BUKOPIN, KAI and KJA.

The sources of capital were KUT funds, rice-acquisition funds and fertilizer funds, which amounted to Rp 375 million overall, and accounted for half of total assets. Of these, KUT loans provided Rp 288 million. Because KUT funds are so-called channelling loans, from which the KUD only earns a management commission, they are not borrowings in the true sense of the term.

Voluntary savings amounted to only Rp 4 million. As mentioned above, loans from state-run enterprises first appeared on the balance sheet in fiscal 1995.

Borrowings for working capital amounted to Rp 86.5 million as of the end of the fiscal year. These were in the form of borrowing for rice procurement Rp78,180,000 and that of for fertilizer was Rp 8,363,000.

Own capital amounted to Rp 62 million, of which 90% was internal reserves. Membership fees and compulsory savings from members accounted for only 2% of own capital.

No delayed payment of membership fee is observed, however, Rp 1,296,000 of compulsory savings were not paid by the end of the fiscal year. The appropriation of surplus fund has not been implemented in these 3 years, but in fiscal 1997, they are planning to appropriate the accumulated surplus fund and they are planning to reduce a part of dividend to be paid to members who did not pay compulsory savings and transfer the same amount in their compulsory saving account in KUD.

The following are the various operating ratios, which were more or less in line with the MANDIRI standards except own capital profit ratio:

	1995	1994	MANDIRI standard
Liquidity ratio:	156.0%	109.1%	125%
Ratio of payment ability (= total assets / total liabilities)	109.4%	112.9%	110%
Net return on equity:	5.3%	2.5%	10%

The net return on revenues was 0.2% (0.2% last fiscal year) and the net return on total assets 0.5% (cf. 0.3%), reflecting extremely weak profitability. Also, in light of the KUD's rate of total asset revolving of 1.9 times (cf. 1.6 times last fiscal year), there is a need for a more efficient management of assets.

The own capital ratio was a low 8.6% (cf. 11.5%), indicating the need to build a more substantial own capital strength.

Business volume per cooperative member (including sales, amounts supplied, commissions received, etc.) were Rp 1,276,000, above the province's average of Rp 827,000. This reflected very satisfactory patronage of the KUD's business. These business volume broke down into rice sales of Rp 682,000 and fertilizer provision valued at Rp 512,000.

Total assets per member were Rp 668,000, around 1.6 times the province's average of Rp 422,000. Loans accounted for Rp 48,000 of this amount. Loans to members were made to 45 individuals (Rp 1,158,000 per person), while loans to non-members were made to 28 individuals (Rp 5,897,000 per person). As this indicates, the range of persons receiving financing was limited.

On the other hand, free deposits amounted to only Rp 4,000 per member. Although there was Rp 57,000 in own capital per member, this works out to only Rp 500 in paid-in membership fees and Rp 500 in compulsory savings paid in per member.

Based on the seven regular employees in the KUD (including the general manager) as of the end of the fiscal year, business volume per employee was Rp 196,828,000, which consisted of marketing turnover of rice of Rp 105,285,000, and value of fertilizer provided of Rp 78,957,000. This was greater than the province's average of Rp 183 million. The current surplus of Rp 3,312,000 was slightly higher than the province's average of Rp 2,793,000.

For total of 22 staff including KUD's temporary employees, revenues per temporary employee were Rp 62,627,000.

Salaries and benefits recognized as a part of operating expenses amounted to Rp1,658,000 per person. However, as of the end of fiscal 1996 about Rp 4,000,000 of salaries and benefits were not paid to employees. Moreover, KUD is not paying salaries with regular basis every month and the payment is unstable. They recognize that employees have side-job and additional income. However, if employees are not fully engaged in the business of KUD it would be difficult to develop activities of the KUD.

Many of the cooperative's major facilities were rice-related. The major facilities and equipment owned by the cooperative included as follows;

Office:	1
Combination of office and warehouse:	1
Rice-polishing facility:	1
Purchasing outlet:	1
Fertilizer-supply Kios:	4
Drying facility for paddy:	1
Workshops for repairing agricultural equipment:	2
Rice-polishing machines:	1
Rice husking machines:	1
The KUD had no computer.	

(4) PURCHASING AND MARKETING BUSINESS

The KUD Semangat is located in flat-low-land, well-irrigated (100%) rice-growing area. The primary business of its 1,080 full members is paddy/rice cultivation, processing and marketing. Other business activities include savings programme, electric bills collection, and retailing business. On a smaller scale it also undertakes business in cassava, and distribution of farm inputs e.g., chemical fertiliser, farm chemicals etc. KUD members also undertake soybeans and poultry business.

The major interest of KUD Semangat has been rice business because a large number of its members have been cultivating paddy. The KUD leadership have naturally been motivated not only to renovate the existing rice milling unit but also to expand the rice business in line with the free market situation. As compared with the business performance of the KUD Sipatuwo RMU, this KUD intends to utilize its RMU in a different way. The KUD has, however, been facing some human resource development problems, as a result of which the RMU business got hampered.

Within and in the areas surrounding the KUD people produce commodities like cashewnut, rattan, coconut and rear silk-worms and poultry. The KUD has not taken up such business activities. The business condition of the KUD during 1994, 1995 and 1996 has been as follows:

Particulars	Rp	1994	1995	1996
Total Sales		785.6m	1,352.0m	3,353.5m
Total Purchases		757.4m	1,335.6m	3,268.5m
Own Capital		57.5m	62.0m	67.3m
Outside Capital		367.5m	384.5m	422.6m
SHU		1.4m	3.3m	5.3m
Assets		515.4m	721.7m	765.2m
Members' Deposits		4.9m	4.9m	4.9m
-Initial Deposits		0.5m	0.5m	0.5m
-Compulsory Deposits		0.4	0.4m	0.4m
-Voluntary Deposits		3.9m	3.9m	3.9m

[A] RICE BUSINESS

The main business performance of the KUD has been as follows:

Particulars	1994	1995	1996
Rice Sold (Tons)	311	1,122	3,515
Rice Purchased (Tons)	311	1,122	3,515
Paddy Sold (Tons)	0.8	--	--
Paddy Purchased	2.0	--	--
Value Rice Sold ('000Rp)	184,290	737,023	2,565,798
Value Rice Purchased	179,903	731,414	2,508,990
Commissioned Earned	4,387	5,609	56,809
Percent of 1994	--	127.8%	1,425%

The transaction of rice has been increased from members' rice milling units (Mitra) to the Dolog in 1996. The actual operation of the KUD RMU has been relatively inactive - against its installed capacity of 1,200 tons per year its production has been only 200 tons annually (16.6%).

According to the KUD Chairman this was mainly due to the serious lack of drying floor and the relative shorter period of paddy harvesting in Sidrap district. Also the KUD faced some problem of having a good manager for the rice milling unit. The KUD had consequently leased out the RMU to a private contractor at the rate of Rp 25/kg. The rice thus milled was sold to the Dolog and in the open market.

The principal buyers of rice from this KUD have been the restaurants, passenger ships, company employees in Ujung Pandang at the rate of 25 tons per month. The terms have been cash. The terms of payment from Dolog to the KUD is at sight and next day the KUD pays in cash to the Mitra, while that in the case of open market in Ujung Pandang it is about seven (7) days after the rice is delivered.

[B] FERTILISER SUPPLY BUSINESS

Procurement and distribution of chemical fertiliser has been an important business of the cooperative. The following figures explain the business situation:

Particulars	1994	1995	1996
Sold (Tons)	2,331	2,126	1,728
Purchased (Tons)	2,331	2,126	1,728
Value Sold ('000Rp)	584,912	552,726	755,058
Value Purchased	559,581	542,648	727,051
Commission Earned	25,331	10,078	28,007
Percent of 1994	--	39.7%	110.5%

The chemical fertiliser is lifted from the PT Pusri warehouses against cash payment. However, the KUD distributed it among its members on both cash and credit basis - usually 25% credit and 75% against cash.

The price of chemical fertiliser was increased by the PT Pusri by about 60%, as a result less quantity was lifted from the warehouses and less quantity was distributed among the farmers. The KUD lifted only 1,728 tons in 1996 (81.2% of the quantity of 1995) as it did not have sufficient funds. However, the percentage of commission earned increased - mainly because of its higher price. The volume of sale of fertiliser went down to 81.2% in 1996 as compared with that of 1995. This situation will adversely affect not only the KUD but also the overall volume of agricultural production, especially paddy.

Lifting less quantity of chemical fertiliser from the KUD is not only an economic loss to the KUD, but also raises fears that the next harvests would be lower. This would result into direct economic losses to the farmers.

[C] OTHER BUSINESS

The KUD operates a transportation service and a rice milling service. Both these services are a source of income and thus are a contributory factor to the working capital of the KUD. The following figures explain the situation:

Particulars ('000Rp)	1994	1995	1996
Transport Service Income	13,903	19,853	28,006
Transport Expenses	12,730	19,933	27,724
Percent of Income	91.5%	100.4%	98.9%
RMU Service Income	2,896	2,737	1,350
Percent of 1994	--	94.5%	46.6%

(5) Credit Business

1) General Credit Business Management Assessment and Current Situation of KUD Savings and Loan (USP) Business

Management appears capable of operating technical aspects of primary business of KUD related to rice procurement, milling, fertilizer distribution, however, does not well understand credit needs of KUD necessary to support business growth in this primary business or expansion into new business areas. The savings and loan credit business (USP) of KUD employees five persons, representing about one-fourth of the cooperative's total employment structure (19 employees, which includes 10 RMU labors). While the number of staff assigned to USP is large in proportion to overall staff (when compared to many other KUD), the size of the USP program is rather small in comparison, with only 30 borrowers and Rp. 4 million in loans outstanding. As such, the average number of USP loans and loan volume handled per USP employee equals 6 loans and Rp. 0.8 million; an amount far too small to justify paying the wages for those employed. Instead of generating income and savings for the KUD, the USP business is currently a "cost" center which requires subsidy from other cooperative business "profit" centers in order to sustain its existence. This suggests management does not understand the fundamentals of business break-even analysis, and further suggests that management views USP business as a social service, rather than an economic growth business for the cooperative.

Total member and non-member loan receivables, including KUT credit channeling, as of December 31, 1995 amounted to Rp. 504.0 million, exceeding the KUD equity capital of Rp. 62.0 million by a ratio of 8.1:1.0. The majority of these loans were over five years past due.

2) Savings

As recently as 1990, the KUD reported no member savings. Between the years 1994, 1995 and 1996 the cooperative showed no growth in members savings. For this period, initial savings and compulsory savings each equalled Rp. 0.5 million and voluntary savings totaled Rp. 4.0 million,

for a combined total member savings of Rp. 5.0 million, or an average savings per member of Rp. 4,630. No interest is paid to members on any form of savings. This perhaps suggests why many members have been reluctant to increase savings with their cooperative. As the KUD is in great need to increase assets to support business growth, greater attention should be paid to mobilizing member savings to support this needed asset growth (see Indonesia: Sustaining High Growth with Equity; World Bank Report No. 16433-IND; May 30, 1997).

3) Borrowings

Institutional borrowings of the KUD at the time of the field survey total Rp. 249.5 million, and include: a Rp. 100 million one-year working capital loan from BRI, at a ROI of 14% p.a., to support paddy rice procurement for rice milling operations (this loan represents about 22 percent of the KUD's working capital need to support continuous milling operations); and a Rp. 149.5 million five-year loan from Pertamina, at a ROI of 6% p.a., for procurement of 23 handtractors for resale by the KUD to members. The rates of interest for both borrowings is considered preferential. The KUD did not report any delinquencies in payment of institutional borrowings.

4) Loans

a) USP line of credit

At the time of the field survey, the KUD reported USP lending totaling Rp. 4.0 million, representing loans extended in-kind in the form of consumer goods to 30 members. Average loan terms include: a one-month loan maturity, a rate of interest equal to 5% per month, and a maximum loan limit per borrower of Rp. 500,000. Average actual loan size per borrower was Rp. 133,333. The rate of interest charged on USP loans is viewed to be very adequate and high enough to cover general administrative costs, including costs associated with interest paid on savings (although it was previously noted that the KUD does not presently pay members interest on savings), leaving an acceptable profit margin, assuming a much larger volume of lending. However, as discussed above, the total volume of USP loans, at Rp. 4.0 million, is far too small to cover current administrative program costs. As of December 31, 1995 total USP loan receivables, due or past due, amounted to Rp. 690,000.

b) Member credit channeling

Member credit channeling at the time of the field survey totaled Rp. 93.6 million, sourced from BRI, for KUT rice production loans to 236 members (representing about 22% of the KUD's present membership), for an average actual loan size per borrower of Rp. 396,610. Loan terms include: six-month loan maturity, rate of interest of 14% p.a. for farmers and 4% p.a. service fee paid to the KUD for loans collected by the cooperative, and maximum loan limit per borrower of Rp.400,000.

The total volume of this type of lending is quite small considering the total number of rice producing members within the cooperative which are not receiving loans from BRI. This is due to the fact that many KUD members have past unpaid loans to BRI and therefore are considered ineligible to receive new loans. As of December 31, 1995 the KUD recorded KUT past due loan receivables amounting to Rp. 286.8 million, covering the years 1987-1990.

As the KUD currently only serves as a channeling agent for BRI, it does not participate directly in loan risk, and therefore has no direct liability to the bank in case of loan default by its members. It is recommended that, where possible, BRI production loans be made directly to the KUD and that the KUD relend these funds directly to their members. In so doing, the KUD would directly share in loan risk and would be better able to enforce discipline among its members to sell produced paddy rice directly to KUD rather than to the open market. This would undoubtedly contribute to greater business product procurement, milling and marketing volume for the KUD. It would also contribute to higher rates of loan recover and higher service fee (interest rate) profits for the KUD.

(6) Guidance and education activities

1) Present situation of education activities for officials and employees and its evaluation

The KUD has assigned 5 directors and has employed 4 employees. Looking at their educational profile, out of 5 directors, there are 2 graduates of senior high school. In case of auditors, 1 graduated from university and 2 graduated from senior high school and graduates of junior high school. In case of the employees, there are 1 graduate of cooperative academy and 3 graduates of senior high school.

The educational backgrounds of the officials and employees are rather high level. There are also 4 part-time workers. The assignment of employees are as follows;

General manager	1
Administration	1
Rice Milling	2 (2 part-time)
Electricity business	1
Security	1

The range of ages of employees are spreading between 47 to 56 years old and it is rather high. As indicated above, the KUD has no employees in charge of saving and loan business, marketing business and guidance activities. Recruitment of young employees who is capable of promotion of saving and loan business, marketing of rice and other commodities will be needed with paying adequate salaries commensurate with the works. The employees are not paid their salaries with regular basis. The wage system is not established in the KUD.

The KUD has not appropriated the current surplus for these three years, it meant that education fund were not accumulated in these three years. However, They have Rp 2,572,646 as education fund which has been formulated before fiscal 1994. The amount is very small to promote training for all employees. According to the business report of 1996, the KUD has not conducted any training for employees. In 1995, one employee has participated in the training course on rice milling operation at the Post Harvest Training Center.

The KUD has not formulated education plan for employees. The person in charge of in-service training is not assigned, thus the systematic education activities are not operated in the KUD.

The employees capability for each section is not satisfactory, they are engaged in farming and are not fully devoted to the works of the KUD. Only the chairman of the KUD is capable person and he is doing the job of general manager to also they have one general manager.

The training needs for employees according to their duties are as follows;

Accounting and administration Processing of accounting and management
In the education of directors, leadership development is needed.

KUD is not providing education activities to members promoted by the KUD. Members need farm guidance such as fertilizer application technology, irrigation management and repair of farm machinery.

2) Present situation of farm guidance and its evaluation

The major marketing commodity of KUD Semangat is rice which occupy 90% of farm household income. The average land holding per household is 1-2 Ha and expansion of production and improvement of quality of rice directly lead increase of income. About 80% of farm households is full-time farm household who engaged in only agriculture. There are 1,894 paddy farming households in the area. However, no farm guidance activities are extended by KUD at present. 2 PPL (agricultural extension workers) in the area are providing guidance to farmhouseholds. One PPL is taking care of about 900 farm households.

Looking at members organizations as a group for providing farm guidance, KUD is not organizing producers by themselves. KUD is utilizing farmers groups established in the local level for supply of fertilizer and collection of rice. KUD is coordinating with 10 farmers groups in the use of rice milling unit. Regarding collection of rice, 50% of rice produced by members is collected by KUD and others are marketed to free market by members. In a bid to improve the patronage ratio of marketing business, it is imperative to organize producers who utilize the business of KUD. It can be said that the role of farm guidance by KUD will be increasingly important.

PPL (agricultural extension workers) are visiting member farm household very frequently 2-3 times a week or in the transplantation period, almost everyday and they are providing guidance directly to leaders of farmers group. The extension office in the area is located 1 km away from the KUD head office.

PKL (cooperative extension workers) are visiting KUD once in a month to provide business management guidance.

3) Present situation of better living guidance and its evaluation

KUD Semangat is not providing better living guidance to its members as the number of employees is small (4 employees) and KUD can not assign employees for better living activities. KUD deems that better living activities are necessary, however, present guidance from Ministry of Health is regarded satisfactory. On the other hand, member's demand for better living guidance, if KUD could provide, are education of children, improvement of welfare of women. There is the government initiated health information program promoted by the Integrated Health Service Posts so called "POSYANDU" for promotion of home life improvement lead by village office. They are providing guidance on improvement of nutrition and kitchen garden activities. The guidance on family planning is provided by the ministry of Population Planning.

As a group of women, KUD has one sub-ordinate group for income generation organized by the government (PWKSS). KUD is not promoting organizing women's group within the members' family.

(7) Other Business

1) Collection of Electricity Utility Charge

The KUD currently generates additional income from service fees associated with public electricity bill collection. For the year 1995, the KUD earnings from this business amounted to Rp. 767,047, representing only 0.06 percent of the KUD's gross business volume and 23 percent of the KUD's net profit that year. Growth potential of this business is considered low due to the fact that the KUD does not expect a significant growth in new accounts handled during the coming years.

2) Telephone Service

The KUD is not engaged in telephone service business.

3) Other Business

The KUD is not engaged in other business.

PROFIT AND LOSS SITUATION

The KUD has two main sources of income. 60% comes from the Paddy/Rice marketing business and the remaining 40% from the supply of chemical fertiliser.

(8). Cooperation and Business Linkage with PUSKUD

The KUD has no business relationship with the Puskud. It is not involved in the procurement of cloves. It does not receive any business service even in the distribution of chemical fertiliser, wheat flour and sugar. The KUD is not in a position to set apart a working capital of Rp 25-40 million in order to qualify to open a waserda (cooperative retail outlet) in association with the Puskud-Goro.

2. The KUD's Potential and Factors Hindering Its Development

(1) Summary

This KUD is lead by a cooperative chief who wants to actively pursue the rice polishing business. This fact will have an important bearing on the potential of this KUD to develop hereafter.

The factor currently hindering the rice polishing business is capital for investment in expansion and renovation of rice-polishing facilities, and for purchasing pre-polished rice. Trucks needed to provide access to markets are also not sufficiently available.

Although this KUD is enthusiastically involved in its rice and fertilizer operations, one gets the sense that it does not do enough in terms of proposing and implementing other types of farm-related plans that would bring about higher incomes for its members.

The rationalization of settlement procedures between the KUD and its members for rice and fertilizer transactions has still not made headway. A large number of members have also not made payments of compulsory deposits commensurate to their investments in the cooperative. There is a need for the KUD to highlight the fact that it is a "cooperative for the members, by the members," and to increase its equity capital and make capital investments.

If concrete measures to eliminate such obstructions can be proposed as operational strategies, then there is a good possibility that this KUD can make successful progress in its businesses.

In order to make viable operational strategies, the manager's capability is crucially important. This KUD is looking for a excellent one but not yet get one or not fostered him.

The State of South Sarawesh is characterized by numerous KUDs. This KUD's district contains five small KUDs. Since the existence of multiple KUDs will probably become a basic issue for KUD management in the future, it will be necessary to view this KUD hereafter in the context of possible amalgamations into larger units.

(2) Management and Organization

{1} In the rice business, which is this KUD's most important operation, it has fallen behind private-sector companies and is now unable to return sufficient benefits to its members. The reason is twofold: because of a shortage of equity capital, the KUD has been compelled to rely on borrowed funds, which has prevented it from purchasing or renewing its facilities; and, because of inadequate working capital, it has been unable to purchase paddy in bulk from its members when such purchases were required.

The KUD is faced with difficulties to pay salaries and benefits to its employees. The shortage of capital is indicated in high reliance to fixed assets which should be supplemented with the increase of own capital. The following measures to strengthen own capital would be possible to be implemented, then improvement of management would be possible.

Although the KUD's rate of membership is above the average of the province, it is still only 26%. Therefore the KUD will have to increase its membership and foster a greater volume of business. Also, since only a very small amount of membership fees and compulsory savings has been paid in, these amounts will have to be increased and collection efforts tightened to collect all of compulsory savings which are not yet paid. Through steps such as these, and others to cut expenses and to increase net surpluses and internal reserves, it would be possible to gradually improve operating conditions in the KUD. Also, in endeavoring to expand membership, the KUD should seek the cooperation of the organization's active members.

{2} Voluntary savings not only help cooperative members to build up their personal assets but can also be used as operational funds by the members. Hence, they would contribute to the creation of personal assets not only among depositors but also among borrowers. Despite this, virtually nothing is being done to attract such savings, and thus balances are minuscule.

The reason for these insignificant balances are that rates of interest paid on voluntary savings are low relative to society-wide standards, and that the KUD does not go out aggressively to attract such savings.

With strong demand existing among the membership for operational funds, there would be sufficient outlets for earning returns on voluntary savings if such funds were attracted. By enforcing a strict controls over loan collections, it would be possible to attract and to operate voluntary savings effectively.

{3} The profits of electricity fee collection business are very unstable as seen in the performance in these three years; minus Rp 477,000 in 1994, plus Rp 768,000 in 1995 and minus Rp 75,000 in 1996. This indicates that collection of electricity fee to be paid to electric power company is not collected timely by KUD.

With strengthening employees activities for collection of the fee as well as promotion of prompt and accurate clerical works, it would be possible to ensure increase of profits.

(3). Purchasing and Marketing Business

I. HAMPERING FACTORS

01 Procurement of paddy and marketing of rice is the principal business of this KUD. Almost all its members are rice cultivators. The KUD also supplies chemical fertilisers and provides some transportation facilities. The three services of the KUD are closely inter-related with each other. The KUD also owns an outdated, worn out and inefficient rice milling unit attached to which is also a small and an extensively damaged drying floor. The RMU has since been leased out to a private operator

02 The main sources of income of the KUD are from rice marketing business (60%) and supply of chemical fertiliser (40%). The KUD is located in a richly irrigated paddy-growing area and has vast potential for development.

03 The KUD faces several problems especially on the management of rice milling, mobilization of capital through collection of overdue deposits from the members, and marketing of polished rice in the open market. Also, as is the case with a majority of the KUDs, there is a very high level of cash transactions. Members' accounts are hardly utilized for accounts settlement. KUD leadership has also not ventured into diversification or expansion of KUD business mainly due to serious lack of working capital.

04 The factors hampering the business development of the KUD can be summarized as follows:

- Inadequate rice milling, drying floor, warehousing and transportation facilities;
- Serious management problems especially in rice milling activities;
- Serious lack of working capital;
- Inadequate capital mobilization efforts, especially members' overdue compulsory deposits;

- Lesser take off of chemical fertiliser (81.2% in 1996 of 1995) by members due to sharp increase in price which might result in lesser production; and
- Lack of efforts in expanding the business of the KUD e.g., in sectors like poultry, waserda (retail outlet for distribution of consumer goods), farm machines repairing facility, feed supply etc.

05 The KUD has strong potential for enhancing the distribution of its polished rice among restaurants, hotels, passenger ships and company employees in Ujung Pandang besides its usual supply to the Dolog.

(4) Credit Business

As earlier indicated, the KUD needs significant increases in assets, particularly for working capital, to achieve higher profitability in its rice-related business. The KUD's profit margin in 1995 was only 0.24% and its RMU that year was estimated to only operate at 37% of rated capacity. The primary cause for this low performance is insufficient working capital to support rice procurement and milling operations. BRI-supplied working capital is based on national rice procurement targets, and as such is insufficient to meet the total paddy rice procurement needs of the KUD. Inadequate paddy drying and storage facilities also contribute to low milling performance.

Because of a high rate of past due accounts receivable and recent marginal business performance, the KUD's borrowing capacity is limited. Additional member capital formation will be necessary to correct this situation.

As the growth in member savings has been stagnant in recent years, the KUD has apparently not seen the value of mobilizing such savings as a means to generate additional assets internally to support business growth. For its rice procurement working capital requirements alone, the KUD needs and estimated at Rp. 450.0 million to sustain business operations for a six-month period. If the KUD were to generate 30 percent of these needed funds through internal member savings programs, it would need to expand its member savings from the current level of Rp. 5.0 million to Rp. 135.0 million, or twenty-seven times its current size.

Interest rate structures for KUD lending under USP business are adequate, but the KUD is losing money on this business due to its low lending volume which cannot presently cover loan delivery administrative costs for the business.

At present the KUD reports little earnings from member credit channeling, yet its potential earnings from this business at present lending volumes, on an annual basis, equal Rp. 7.5 million. The KUD should be more aggressive in capturing this lost revenue.

(5) Guidance and education activities

Hampering factors

i. The systematic planning for employees' training is difficult as the number of employees is reduced. The KUD has no employees who are specified to promote saving and loan business, marketing of rice. The development of business will be difficult under the present structure of manpower. The appropriation of current surplus has conducted for three years and education fund is not increasing. There is a delay of clerical works by the employees due to lack of capability and shortage of number of employees. A chance for training is limited to a part of directors. The salaries for employees are not paid regular basis, every month, it will discourage employees' devotion to KUD activities. All employees are engaged in farming and their major source of income is generated from farming works. If the delay of payment of salaries were to be continued by the KUD, there will be no positive reason for the employees to stay in the KUD as they can involve in farming.

ii. KUD is not organizing women's group among member households and the bases for promotion of better living activities is weak. Also, the number of employees are not enough to assign better living advisors.

iii. Employees in charge of farm guidance are not assigned by KUD. Only directors are providing guidance in cooperation with agricultural extension workers. Such farm guidance is considered as a duty of extension workers and KUD is not providing guidance on farm management to member farm households. Their experience and knowledge are not sufficient to meet demand of members such as production and marketing of high quality rice. To that end, the production activities and marketing activities of farmers are not co-related and advantageous marketing are being difficult.

iv. The awareness of importance of producers organization is weak among farmers and there are no bases for promotion of farm guidance by KUD. The measures to solve problems of members systematically through organization such as production, post harvest measures and distribution of high quality rice are not sufficient.

The technical level of the member farmers attained a certain standard, however, it is not the stage to promote farm guidance through group activities.

Possibilities

i. As the KUD has current surplus, it will be possible for KUD to improve capability of employees through budgeting for training systematically.

ii. It would be possible to improve the awareness of members of importance of better living activities through mutual exchanges with neighbor KUD. It would be possible to organize women in member household as bases for better living activities in cooperation with other women's groups organized by the government.

iii. Improvement of paddy farming technology, post harvest technology as well as distribution of rice are the common interest for KUD members. In response to this, it would be possible to strengthen cooperation with agricultural extension workers.

(6) Other Business

The KUD's business expansion in the electricity bill collection business is limited due to the fact that many areas within the KUD's service coverage area are presently not connected to electricity. Future expansion of electrical services in these areas should contribute to increased business volume for the KUD over time. This business produces non-monetary benefits for the KUD through increased contact with members, leading to information exchange and strengthened overall ties between the KUD and its members.

KUD MATUTU

1. Present situation of KUD

KUD Matutu

An administrative unit of the KUD is in Subdistrict of Dua Pitue, northernmost and the biggest Subdistrict in District Sidrap, Province South Sulawesi. The Subdistrict was divided into three (3) in 1997. Distance from Pankajene, District capital is more or less 40 km. Although the area belongs to "irrigated" in terms of agro-eco system classification with flat and large paddy field which has well-developed irrigation facility, the area stretches towards hilly and mountainous land which provides dry land, grassland and forest.

A survey result reveals that such a characteristic makes the differences in type of farming from that of KUD Semangat as shown below:

Farm Products	Semangat	Matutu
Paddy	98.4%	82.4%
Livestock & Dairy Farming	1.0	7.0
Horticultural Products	-	1.1
Cash Crop	-	6.0
Others	0.5	4.5

Rice is by far the most important agricultural product to KUD Matutu while beef cattle raising and cash crop including cocoa, coconuts and clove are developing to some extent. The survey also indicated a member farmer of this KUD holds in an average as large as 2.8 ha of land, within which 1.9 ha is used for paddy field.

As is seen in KUD Semangat area agricultural labourers are widely hired in contract when ploughing, transplanting, and harvesting season. However, as labour shortage gradually emerges in the busy farming season, farm mechanization introducing, e.g. 2-wheel tractor/tiller is widely seen in this area.

In Subdistrict Dua Pitue, the biggest population of big and medium size animal was kept among the subdistricts in Sidrap. Beef cattle feeding in KUD Matutu area is another agricultural activity in this area in modest scale. In 1970 there were about 4,000 cattle in Sub District Dua Pitue and the number increased to reached the peak 21,100 in 1985, then the number has shown rapid decline to the order of 12,000 up to 1990 and onwards. Latest available statistics on cattle in the Sub District was 10,918 in 1996. Local government (Dinas Peternakan) is making effort to increase the number of cattle, especially in Subdistrict Dua Pitue as well as other two Subdistricts in the District Sidrap.

In this regard existence of a large scale state-owned cattle farm with six thousand heads cattle in 11,000 ha grazing field will have technical and economic influence on the possible cattle feeding/fattening project(s) in KUD Matutu.

(2) General Characteristic of KUD

(1972, Established)
(1990, KUD Mandiri)

This KUD covers relatively broad farmland with 19,280Ha in 6 villages of Sub-district Dua Pitue in District Sidrap, which include 3,869 Ha of irrigated land.

The main product are rice, rattan raw material, cocoa and local cattle.

There are 11,397 persons as the total population and there are 3,551 KUD members .The majority of members come from 3,587 farmers in this KUD area.

The KUD has procured rice instead of paddy, and basically sold to Dulog. Fertilizer supply is another steady business to members. In addition to that, Clove sale to Puskud and institutional loan channelling are carried out but anything such as feed supply and animal introduction have been not done although they have been interested in.

The KUD holds 2 R.M.U which has been set up on either Kennedy Round or O.E.C.F base, 3 trucks and 2 computers. These facility have not worked well recently especially R.M.U nil-operation because of original plan mistake or maintenance mismanagement. There is still difficulty of information system because of no telephone service.

The business turnover was 2,147 Mil Rp in 1995, over the average amount of South Sulawesi but the business volume of each member was quite smaller than that of neighbor KUD.

The reserve fund ratio to the total volume was very low only by 1.1%. This KUD's business has been stagnant since 1989. So far the price of clove can not be in attractive price trend.

The KUD and members are looking for new commodity in good prospective and related facility strengthening plan on such as cattle fattening farming and cash crop primary processing.

(3) Management and Organization

{1} The Running of the Organization

The forerunner of KUD MATUTU BILA was a consumer cooperative, established as a BUUD in March 1972 with 47 persons participating. In May 1975, the cooperative became a BUUD/KUD. In July 1982, it was registered as a KUD, and in July 1990, sanctioned as a KUD Mandiri.

Since its founding, the KUD has achieved very large gains in membership; from 170 persons in 1980, membership rose to 3,514 in 1990, and now stands at 3,551. This amounts to 36% of the area's adult population of 9,967. Moreover, out of a population of 3,587 persons engaged in agriculture (2,657 men and 930 women), 3,231 persons are members of the KUD, resulting in a high 90% membership rate among farmers.

With 900 female members in the organization, the KUD has high rate of female membership.

Members' occupations include farmer, merchant, livestock business, public worker, but a large number are farmers.

The KUD's area of operation encompasses six villages (DESA) in two sub-district DUA PITUE and PIUTRIASE. There are five other KUD in the two sub-districts. This was due to splitting of DUA PITUE sub-district into two but operation area of KUD Matutu Bila was not included in the restructure and zoning of local administration.

Qualifications for membership are that a person be a resident over 17 years old, pay a membership fee of Rp 2,500, and make a deposit of Rp500 in compulsory savings each month. Membership in the cooperative offers benefits such as advantageous price of farm input materials such as fertilizer and agricultural chemical as well as provision of loan.

There are 64 farmers' groups (kerompoktani), in which 3,547 farmers participate. Almost all members of the KUD are also being members of farmers' group. The KUD uses the farmers' groups to draw up the farming plans required for KUD loans, and also to collect advance order for fertilizer and collection of rice, etc.. Although such farmer' group is not engaged in collection of rice, however, in case there is some trouble with members they cooperate to the KUD.

On the other hand, there are no KUD-led organizations of members, nor any women's organizations.

The KUD's five directors consist of the head of the cooperative, two deputy heads of the cooperative, one executive director, and one director in charge of accounting. Regular board of directors' meetings are held once in a month. One of the directors is a former village chief, two others are former elementary school principals, and two are farmers. There are three auditors, who audit KUD 4 times a year. Two of the auditors are elementary school principals, and one is a farmer.

The KUD also has five BPP (advisors), who are engaged in consultation and guidance to members as well as providing notice to directors in case the business is not proceeded as planed.

The general meeting for account settlement for fiscal 1996 took place in April 1997, and was attended by 65 persons who were 43 representatives from farmers' group and other 22 representatives. They are supposed to hold explanation meeting at hamlet level after attending general meeting, however, directors and employees of the KUD have not attended such meetings and it is not sure that the meetings were held or not.

In a bid to absorb more voices from members and to hold general meeting in more democratic manners, KUD needs to hold preliminary meetings preceded by general meeting.

The KUD operates four departments under the general manager: finance (savings and lending, KCK, KUT); production (irrigation pumps, rice-milling facilities, production material, a printing plant, livestock, estate); marketing (rice, transportation, retailing outlets, forestry); and general affairs (health management, collection of electricity fees, warehouses).

According to its operating report for fiscal 1995, the KUD had eight regular (full-time) employees (3 men and 5 women) in addition to a general manager. There were also 39 persons working for the KUD as temporary employees.

One full-time employee was assigned to each of the following tasks: secretary, cashiering, accounting, management, accounting for rice and rice polishing, collection of electricity fees, accounting for production materials, KCK and savings and lending, and accounting for clove. All the employees are high school graduates.

The temporary employees are assigned to daily tasks as follows: 14 in rice and paddy; four in transportation; seven in rice mill; three in purchasing outlets; seven in clove; and four in agricultural equipment. Hence, although the number of regular employees is small in proportion to the range of the KUD's business operations, the KUD compensates for this insufficiency by using temporary employees.

Furthermore, three of the cooperative's regular employees were also responsible for farm management guidance, and two for better living guidance. These were responsibilities held in addition to everyday duties.

{2} Management

Total revenues (including commissions and service income) in 1995 were about Rp 2,109 million, of which the marketing of rice accounted for Rp 1,266 million, or 60.0% of the total, making it the primary operation of the cooperative. This was followed by clove marketing, which contributed Rp 561 million (26.6%) and by fertilizer provision, which contributed Rp 243 million (11.5%). In service-related businesses, transportation commissions accounted for Rp 33 million, interest received in the PUSKUD deposit contributed Rp 4 million, and electricity fee collection another Rp 1 million.

Gross profit was Rp 154.6 million, of which clove contributed Rp 75 million, rice Rp 15 million, and fertilizer Rp 14 million. Clove were the major money earner.

The KUD categorized operating expenses and general expenses differently from agricultural cooperatives in Japan. This resulted in a different concept of operating profit. The KUD reported Rp 1.8 million in non-operating revenues, and Rp 23.5 million in net surplus, the latter a large 2.4 times the province average of Rp 9.7 million.

Of operating expenses of Rp 133.0 million, depreciation expense (Biaya Penyusutan Harta Tetap) accounted for Rp 25.6 million, or 19.2%.

The current surplus was carried over to the next fiscal year and the appropriation of this year is from the surplus fund carried over from the previous year. They are making efforts to accumulate own capital through increasing internal reserves.

- transfers to internal reserves: (40%)
- dividends to members: (40%)
- bonuses for directors: (5%)
- bonuses for employees: (5%)
- education fund: (5%)
- fund for social contributions: (2.5%)
- fund for building repairs: (2.5%)

As this indicates, the KUD is endeavoring to build a firmer base of equity capital by allocating funds to internal reserves. After approval at the general meeting, these allocations are transferred to current liability and capital accounts, and expended in the following year or in later fiscal years.

Dividends to be paid to individual members are all same amount, however, members who purchased a large amount of fertilizer are awarded by the KUD.

The balance sheet showed total assets of Rp 823 million, a decline of 1.4% from the previous year. This change was attributable to depreciation of fixed assets. Short-term receivables to PUSKUD accounted for Rp 294 million, or 35.8%, of total assets; of this, nearly 90% was in the form of compulsory savings to PUSKUD and voluntary savings to PUSKUD. But short-term receivables to PUSKUD were Rp 77.4 million lower than last year. Loans constituted Rp 195 million, or 23.7%, of total assets, but this was a slight decrease from the previous fiscal year. Of this, loans to non-members accounted for Rp 24 million, so most of the loans were to members. A balance of Rp 20 million existed for the financing of hand tractor purchases by 16 persons, indicating that the KUD was responding to members' demands for capital. The reserves for bad debt was practiced.

Fixed assets totalled Rp 373 million, the same amount as last year, but after depreciation amounted to Rp 170 million, a Rp 18 million decrease.

Investments consisted of membership fees and compulsory deposits in PUSKUD, INKUD, BUKOPIN, KAI and KJA, and a KUD development fund.

A major source of funds was institutional loans to members, for which Rp 436 million was borrowed. This equaled one half of total assets. Of this amount, Rp 340 million was in the form of KUT loans. Because KUT funds are so-called channelling loans, from which the KUD earns only a management commission, they are not borrowings in the true sense of the term.

Borrowings for working capital amounted to Rp 49 million as of the end of the fiscal year. These consisted of borrowings from the PUSKUD and members. Long-term loans for equipment and facilities, such as trucks, irrigation pumps, purchasing outlets (Kios), were borrowed from PUSKUD

Equity capital amounted to Rp 247 million, of which 48% was internal reserves.

Membership fees and compulsory deposits from members accounted for only 22% of equity.

The following were the various operating ratios: current ratio, 110.8% (cf. last fiscal year's 104.1% and the MANDIRI standard of 125%); ratio of payment ability (= total assets / total liabilities) 142.8% (cf. 136.7% and MANDIRI standard 110%); net return on equity 9.5% (5.7% and MANDIRI standard 10%). The current ratio and the net return on equity were not up to the MANDIRI standards, so efforts at improvement are required.

A net return on revenues of 1.1% (cf. 0.5% last fiscal year) and a net return on total assets of 2.8% (cf. 1.5%) indicated an appropriate level of profit rates. Total asset revolving was 2.6 times, reflecting an efficient management of assets.

The equity ratio was a low 30.0% (cf. 26.9%), indicating the need for further efforts to build a more substantial equity base.

Business volume per cooperative member (including marketing, amounts supplied, commissions received, etc.) were Rp 605,000, below the state's average of Rp 827,000. This reflected an unsatisfactory level of cooperative use. These revenues broke down into rice sales of Rp 357,000, clove sales of Rp 158,000 and fertilizer provision valued at Rp 68,000.

Total assets per member was Rp 232,000, only around half the province average of Rp 422,000. Business loans accounted for Rp 48,000 of this amount. Loans to members were made to 61 persons (Rp 2,239,000 per person), loans to non-members to seven persons (Rp 3,507,000 per person), and loans from the KUD's savings and loan business to 36 persons (Rp 350,000 per person), while KCK loans were extended to 18 persons (Rp 49,000). As this indicates, the range of persons receiving financing was limited.

On the other hand, voluntary savings amounted to only Rp 7,000 per member and decreasing every year. Although there was Rp 70,000 in equity capital per member, this works out to only Rp 1,000 in paid-in membership fees and Rp 15,000 in compulsory deposits paid in per member. All members paid in membership fee and the amount of collectable compulsory savings is small. Compulsory savings are appropriated from members dividend and KUD is not collecting them by visiting members.

Based on the nine regular employees in the KUD (including the general manager) as of the end of the fiscal year, business volume per employee were Rp 234,333,000, which comprised revenues from rice marketing of Rp 140,647,000, revenues from clove of Rp 62,326,000, and value of fertilizer provided of Rp 26,995,000. This was 1.3 times the state's average of Rp 183 million. However, the current surplus of Rp 2,606,000 per employee was slightly less than the province average of Rp 2,793,000.

The business volume per employee including 48 temporary employees was Rp 44,742,000.

Salaries and benefits recognized as a part of business expenses amounted to Rp 4,612,000. Adding to this bonuses to employees paid out of net surplus resulted in an average payment to employees of Rp 886,000. However, the payment of salaries are prone to be delayed and its are not paid regularly every month. They recognize that employees are also engaged in farming and they have in-farm income. However, it

would be difficult to develop KUD if it has no employees fully devoting to the business of KUD.

The major facilities owned and equipment owned by the cooperative included: three offices; seven warehouses; one purchasing outlet; seven fertilizer-supply Kios; one drying facility for paddy; one facility for repairing agricultural equipment; one rice-milling machine; four rice-hulling machines; 10 irrigation pumps; three trucks; etc. Many of the cooperative's major facilities were rice-related.

The KUD's two computers were purchased in 1987, however, due to shortage of electric power supply, those were left unused.

(4) PURCHASING AND MARKETING BUSINESS

The KUD (established in 1962) is located in a flat low-land area. Main cultivation of the area is paddy. The primary business of its 3,551 full members and nearly 500 candidate members is paddy/rice production, processing and marketing. Other business activities of the KUD include retailing business, and collection of rattan and some cash crops. On a smaller scale it also undertakes business in distribution of farm inputs e.g., chemical fertilisers, farm chemicals etc. The KUD members also undertake livestock development and poultry business.

However, mainly due to lack of management skills among the leadership and employees of the KUD, many of the business operations have not been economically strong. There is no processing activity in the cooperative.

The financial situation of the KUD during 1994, 1995 and 1996 is as follows:

Particulars Rp	1994	1995	1996
Total Sales	2,295.3m	2,109.0m	4,819.7m
Total Purchases	2,214.7m	1,965.6m	4,720.3m
Own Capital	224.3m	246.8m	265.4m
Outside Capital	64.4m	64.4m	64.4m
SHU	12.8m	23.4m	20.3m
Assets	170.0m	108.6m	153.1m
Members' Deposits	101.7m	81.4m	82.2m
-Initial Deposits	3.3m	3.3m	3.3m
-Compulsory Deposits	47.3m	51.6m	57.1m
-Voluntary Deposits	51.1m	26.4m	21.7m

The business situation of the KUD has not been so satisfactory. It was reportedly better before 1989. Much of the assets were obtained before that period. The presence of 20 strong - wealthy and influential - 'partner-farmers' "MITRA" who compete to control the KUD has adversely affected the business. KUD cannot

operate its RMUs on a regular basis due to competition from this group of 'partner-farmers'.

[01] RICE AND PADDY BUSINESS

Although the KUD owns two RMUs, one of a 3-ton/hour capacity and the other 1-ton/hour, they are hardly put into operation. Both the RMUs are of a good quality with large enough drying floors attached. The 1-ton/hour RMU has not been put into operation since its establishment in 1990-91. These were given to the KUD under some technical assistance/grants programme. For some strange reasons or due to faulty planning, the 1-ton RMU was placed at a wrong site. During 1995-96 the machines remained out of commission for want of spare parts, and during 1996-97 the nearby irrigation channel got choked with rice husk, causing a serious environmental problem.

In order to fulfil its commitments to the Dolog, the KUD had to purchase some quantities of milled rice from members' small-scale rice milling units and supply it to the Dolog. The KUD also helped procure some paddy for the Puskud's RMU.

The table below explains the rice and paddy business operations of the KUD during 1994, 1995 and 1996:

Particulars	1994	1995	1996
Quantity/RICE (tons)			
-Sold to Dolog	2,730	1,896	4,560
-Sold to Open Market	5% of 2,730	--	--
Quantity/PADDY (tons)	--	--	--
Value/RICE ('000Rp)			
-Sold to Dolog	1,610,942	1,265,823	3,832,790
-Sold to Open Market*		--	--
Quantity Purchased			
-RICE (tons)	2,730	1,896	4,560
-PADDY (tons)	469	--	--
Value Purchased ('000Rp)			
-PADDY	97,345	--	--
-RICE	1,455,095	1,250,472	3,832,420
Crude Profit	45,447	15,351	50,370
Percent of 1994	--	33.7%	110.8%

*sold at 4-5% discounted price

Sale by the members of the rice milled by the members' RMU depended largely on the price offered. Whenever the price offered by the KUD was slightly higher than that of the open market, a larger number of farmers will sell a greater quantity of rice to the KUD.

[02] CHEMICAL FERTILISER BUSINESS

The situation of purchase and supply of chemical fertiliser during 1994, 1995 and 1996 was as follows:

Particulars	1994	1995	1996
Sold by KUD (Tons)	2,267	1,250	1,717
Purchased by KUD	2,267	1,250	1,717
Value Sold ('000Rp)	242,951	592,352	674,191
Value Purchased	228,738	565,390	640,420
Crude Profit to KUD	14,213	26,962	33,771
Percent of 1994*	--	189.6%	237.6%

* The percentage of the crude profit appears to be higher mainly due to the fact that the price of fertiliser was raised by the government in 1996. As compared to the quantity handled during 1995, it was higher both in 1994 and 1996.

[03] SUPPLY OF FARM CHEMICALS BUSINESS

About 7,000 lt of farm chemicals were distributed each year by the KUD among its farmer-members.

[04] RICE-BRAN BUSINESS

45 tons of rice-bran worth Rp 10,059,000 was sold during 1994. The RMU of the KUD was not operational during 1995 and 1996, and hence no further business.

[05] CLOVE PROCUREMENT BUSINESS

The sale purchase business of clove during 1994, 1995 and 1996 was as follows:

Particulars	1994	1995	1996
Quantity Sold (Tons)	109	--	49.5
Quantity Purchased	109	--	49.5
Percent of 1994	--	--	45.8%
Value Sold ('000Rp)	560,933	--	262,738
Value Purchased	486,088	--	247,549
Commission Earned	74,846	--	15,189
Percent of 194	--	--	20.2%

Because of the fall in the price of cloves, many farmers did not increase the production of this item. Also the system of price settlement with the farmer is too complicated to be understood by the producer-farmers.

[06] KUD/WASERDA BUSINESS

The retail outlet business was not so active. The figures relating to the year 1994, 1995 and 1996 are given below:

Particulars	1994	1995	1996
Waserda Sales ('000Rp)	4,000	5,300	6,000
Procurement	3,500	4,700	5,500
Percent of Sales	87.5%	8.6%	91.6%

The Waserda business was initiated by the KUD during 1987-88 with the collaboration and support of the PUSKUD. The KUD now procures the merchandise from the central market of Sidrap on weekly basis either directly or through the agents/suppliers.

(5) Credit Business

1) General Credit Business Management Assessment and Current Situation of KUD Savings and Loan (USP) Business

The KUD's management capability in general needs to be strengthened. Many large members of the cooperative are competing with the business of the KUD, particularly in the area of rice milling, where 20 small RMUs are owned and operated by KUD members. Present management does not have a good understanding of the credit needs of KUD necessary to support competitive business growth in its primary rice-based business or expansion into new business areas. Many of the assets of the KUD are currently idle or underutilized. While the KUD is in need of significant amounts of working capital to effectively compete in the rice milling business, management has been unable to calculate how much capital is actually needed and appears not to have a good grasp of such business fundamentals as determining break-even analysis in operations.

The savings and loan credit business (USP) of the KUD is still small in proportion to other businesses of the KUD. The number of full-time employees involved in the USP credit business is three persons, representing about thirty percent of the cooperative's total employment structure (10 full-time employees and 39 part-time employees). Given the low volume of lending, the USP business appears to be operating as a "cost" center, requiring subsidy from other cooperative business "profit" centers in order to sustain its existence. This suggests that KUD management views USP credit business as a social service, rather than an economic growth business.

2) Savings

Since 1990, initial membership savings has declined from Rp. 3.5 million to Rp. 3.3 million (1995), suggesting a slight reduction in KUD membership. Future KUD plans call for increasing the amount of initial membership savings from the present level of Rp. 1,000 per new member to Rp. 2,500. While member compulsory savings expanded from Rp. 31.7 million in 1990 to Rp. 51.6 million in 1995, voluntary savings during the same period declined, with a

significant reduction (almost 50%) between the years 1994 and 1995, from Rp. 51.1 million to Rp. 26.5 million, due to member savings withdrawals to meet family financial needs. Total member savings over the 1990 to 1995 period showed modest growth, at an annual rate equal to 4.7%, growing from Rs. 66 million to Rp. 81.4 million, for a 1995 average savings per member of Rp. 22,923. At the time of the field survey the KUD did not pay interest to members on initial or compulsory savings, but did pay members interest on voluntary savings, although the rate of interest paid, 1% p.a., was far below market rates. This perhaps suggests why many members have been reluctant to increase savings with their cooperative. As the KUD is in great need to increase assets to support business growth, greater attention should be paid to mobilizing member savings to support this needed asset growth.

3) Borrowings

Institutional borrowings of the KUD at the time of the field survey total Rp. 90.0 million, representing a one-year working capital loan from BRI, at a ROI of 14% p.a., to support paddy rice procurement for rice milling operations (of "partner" members). As of July 1997, the amount of credit outstanding under this BRI paddy rice procurement loan stood at Rp. 79.3 million, representing a 12% reduction. The KUD had no investment borrowings for fixed term assets. The rate of interest for existing borrowings is considered preferential. The KUD did not report any delinquencies in payment of institutional borrowings.

4) Loans

a) USP line of credit

At the time of the field survey, the KUD reported USP lending totaling Rp. 16.0 million, representing loans extended to 200 members. Average loan terms include: a one-month loan maturity, a rate of interest equal to 2% per month, and a maximum loan limit per borrower of Rp. 200,000. Average actual loan size per borrower was Rp. 80,000. As of July 1997, USP loans outstanding to 75 members amounted to Rp. 14.0 million, for an average loan size per borrower of Rp. 49,900.

The rate of interest charged on USP loans is viewed to be too low to cover general administrative costs, including costs associated with interest paid on savings (although it was previously noted that the KUD does not presently pay members interest on most forms of savings), leaving little if any profit margin from this credit business. Also as discussed above, the total volume of USP loans is

too small to adequately cover administrative program costs.

b) Member credit channeling

Member credit channeling at the time of the field survey totaled Rp. 371.0 million, sourced from BRI, including: Rp. 1.0 million for KCK small trader lending to 80 borrowers; and Rp. 370 million for KUT rice production loans to 550 members, representing about 16% of the KUD's present membership, for an average actual loan size per borrower of Rp. 672,727. Loan terms include: a one-year loan maturity, a rate of interest of 14% p.a. for farmer borrowers, and a maximum loan limit per borrower of Rp. 600,000.

The total volume of this type of lending is quite small considering the total number of rice producing members within the cooperative which are not receiving loans from BRI. This is due to the fact that many KUD members have past unpaid loans to BRI and therefore are considered ineligible to receive new loans. No loan delinquency information on this type of lending was provided by the KUD. As the KUD serves only as a channeling agent for BRI, it does not participate directly in loan risk, and therefore has no direct liability to the bank in case of loan default by its members.

It is recommended that, where possible, BRI production loans be made directly to the KUD and that the KUD relend these funds directly to their members. In so doing, the KUD would directly share in loan risk and would be better able to enforce discipline among its members to sell produced paddy rice directly to KUD rather than to the open market. This would undoubtedly contribute to greater business product procurement, milling and marketing volume for the KUD. It would also contribute to higher rates of loan recover and higher service fee (interest rate) profits for the KUD.

(6) Guidance and education activities

1) Present situation of education activities for officials and employees and its evaluation

The KUD has assigned 5 directors and 3 auditors and it has 13 employees. Looking at their educational record, out of 5 directors, there are 1 graduate of cooperative academy and 4 graduates of junior high school. In case of auditors, 2 of them have graduated from senior high school and 1 has graduated from junior high school. In case of the employees, there are 1 graduate of cooperative academy, 12 graduates of senior high school. Also, there are 39 part-time workers of which 15 are assigned for rice mill, 22 for pumping and 2 are drivers.

The educational backgrounds of the officials and employees are rather high level. The range of ages of employees are spreading between 19 to 26 years old. directors are between 30 to 54 years old and auditors are between 50 to 73 years old.

In 1996, the KUD has appropriated 5% of the current surplus for education fund.

The current surplus fund of fiscal 1996 was Rp19,517,000 and the education fund appropriated in 1996 was Rp 975,850 and the total accumulated education fund became Rp4,450,000. The amount was small to promote training for all employees.

According to the business report of 1996, the KUD has conducted only 3 training for employees as follows;

Participants	Period	Contents	Place
1. Anis	2 weeks from May 14	Saving/loan	BALATKOP
2. H Dg Malewa	1 week	Clove market	BALATKOP
3. Haisa	3 days	Human resource	BNI UJ Pandung

The KUD has not formulated education plan for officials and employees. The person in charge of in-service training is not identified, thus the systematic education activities are not operated in the KUD.

The training needs for officials and employees according to their duties are as follows;

Directors	Business administration and management
Auditors	Improvement of audit capability
Employees	Improvement of clerical works
Members	Dissemination of knowledge on saving and loan

As education activities to 3,800 members, KUD has conducted activities for enlightenment such as cooperative law, participation to KUD, rights and duties of members 1 to 2 times a year at BALATKOP, DEKOPINDA and KUD.

2) Present situation of farm guidance and its evaluation

The major marketing commodities of KUD Matutu is rice which occupy about 80% of farm household income. The average land holding per household is 2.8 Ha and expansion of production and improvement of quality of rice as well as diversification of variety are needed to increase income.

Farm guidance by KUD is done by directors beside their duties and the KUD is not planning to assign farm advisors. PKL of KANDEPKOP has a knowledge of agriculture and they are providing guidance with meagre level. Beside them PPL (agricultural extension workers) are providing guidance to the members. For the development of beef cattle business, it is imperative for kud to establish a structure for guidance to members. Members organization such as commodity-wise groups as bases for promotion of farm guidance are not farmed yet. KUD is utilizing farmers groups established in the local level. The KUD is coordinating with 32 farmers groups in the use of rice milling unit. Regarding collection of rice, 35% of rice produced by members is collected by KUD and others are marketed to free market by members. In a bid to improve the patronage ratio of marketing business, it is imperative to organize producers who utilize the business of KUD. It can be said that the role of farm guidance by KUD will be increasingly important.

KUD has established joint use of farm machinery equipped with 2 trucks to delivery of fertilizer. In the past the KUD had pumps for irrigation for joint use but with the development of irrigation facilities they stopped the joint use of pumps.

The technical guidance for beef cattle raising farmers is provided by engineer of the state owned farm located near by the KUD operation area.

5 PPL (agricultural extension workers) are visiting member farm household once a week from 2 extension offices and they are providing guidance directly to leaders of farmers groups on paddy farming, clove production and cocoa. The extension office in the area is located 5 km away from the KUD head office.

PKL (cooperative extension workers) are visiting KUD 3 times a month to provide business management guidance as well as production and distribution of rice and plantation crops such as cashew nuts and cocoa.

3) Present situation of better living guidance and its evaluation

KUD Matutu is not providing better living guidance to its members. The KUD is not assigned employees for better living activities. PKK (group for home life improvement and education) is organized in the village level and KUD is providing the place of meeting and information service for the group. Even though 40% of KUD members are women, KUD is not promoting organizing women's group within the member family. However, the awareness of importance of such women's group is gradually developing in KUD.

(7) Other Business

1) Collection of Electricity Utility Charge

The KUD is not engaged in the electricity bill collection business.

2) Telephone Service

The KUD is not engaged in telephone service business.

3) Other Business

The KUD is not engaged in other business.

(8) COOPERATION AND BUSINESS LINKAGE WITH PUSKUD

Except for procuring cloves for the PUSKUD, the KUD does not have any business links with the Puskud. The initial business relations were during 1997-88 when the Puskud assisted the KUD in establishing the Waserda.

2. The KUD's Potential and Factors Hindering Its Development

(1) Summary

Many of the members have only a vague awareness that the "KUD is an asset that belongs to the members and [that] taking advantage of that asset will result in benefits for themselves...[and that] Therefore, they should fulfill their obligations as members."

The KUD directors and employees have also not specified development plans that address such issues as how much value added should be created for agricultural products and how marketing channels should be expanded and profits of cooperative members increased. The KUD has also not attained a technical level that meets quality standards.

Inexplicably, despite increased demand being forecast hereafter, the KUD has also not undertaken any steps toward implementation of beef cattle production in the aftermath of the decline in water buffalo. This is because leadership is nonexistent, and because guidance in the technologies of beef cattle breeding and management, and in farming methods, is not being provided. Of course there is also a need for capital to be available for long periods of time to finance farmers' purchases of calves, but this has also not been systematized and has become an obstacle to progress.

The KUD has never had a person in charge of agricultural production technology, so there has always been a discrepancy between the technological guidance it provides and its business operations.

However, if KUD directors and other members with leadership status can devise plans that further the interests of the membership, and if they can establish ways of obtaining government-supported loans and systems for providing technical guidance, then this KUD still has considerable potential to grow.

(2) Management and Organization

{1} Members do a relatively small amount of business with the KUD, only three-quarters of the average for the state as a whole. Although this is partly due to the infrequent use of businesses other than rice, cloves and fertilizer, we believe that the KUD's lack of its own cooperating organizations, and an inadequate diffusion of the KUD's businesses are a major reason.

Besides rice and cloves, a variety of other crop and livestock products are produced in the area, such as beef, cashew nuts, etc. By providing a place where information can be exchanged among those producing the same products, we believe it would be possible to strengthen the unity of the organization and to further the rate of membership.

{2} Of the capital managed by the KUD, 36% is in the form of short-term receivables to the PUSKUD, while only 24% has been lent to members. Moreover loans to members consist primarily of system-based loans, and the number of persons being financed is small.

In order to contribute to the creation of personal assets and to the development of members' businesses, we believe that the KUD should enlarge its savings and loan business so that it serves a large number of the membership. In spite of this, the amount of outstanding savings and loans outstanding are decreased.

This indicates that the amount of drawing from savings exceeded the amount of absorption, KUD is not positively promoting savings and also credibility for KUD is dropped.

But the interest paid on these free deposits is currently at market rates, so if the KUD advances the effort, the potential exists for the business to develop in a major way. Given the strong demand for capital, there would also be ample potential for managing this money in the form of loans.

{3} Payment of salaries and benefits to employees

The payment of salaries for employees are prone to be delayed and are not paid with regular basis every months. They recognize that employees will have no problems as they have agricultural income. However, it would be difficult to develop KUD without employees who can fully work for KUD.

As current surplus is recognized, the payment of salaries and benefits will be possible. With establishment of a system to pay salaries with regular basis every month, a volition of employees would be encouraged.

{4} In the annual general meeting, only 65 members out of 3,554 were participated. The KUD is not conducting a preliminary meeting at hamlet level. Also, implementation of the hamlet level report meeting by attendants of general meeting is not confirmed. However, general meeting is the place to reflect voices from members and fundamental forum for decision making of KUD. If members feel there is no chance to speak their opinions, they will be negative to participate in KUD and they will leave KUD.

Therefore, a preliminary meeting should be held at hamlet level to elaborate minutes of the general meeting and to discuss with members. It would be possible to hold preliminary meeting with cooperation of farmer's group (kerompoktani) as all members of KUD are participated in the group.

{5} The KUD operates covering two sub-districts of DUA Pitue and Piutriase. In these two sub-districts, totally 6 KUD are established including KUD Matutu. Looking at these 6 KUD, they have in all 8,418 regular members, 4,411 candidate members, 36 regular employees, Rp6,741 Million of business turnover and Rp190 million of current surplus. These figures and scale are around equivalent to that of the large scale KUD in West Jawa . Out of 6 KUD only MATUTU and AMANAH are recognized as MANDIRI (self-supporting), however the rest of KUD have small number of members and employees, suffering shortage of fund and their business performance is low.

However, through mutual communication and cooperation of these 6 KUD it would be possible to invigorate their activities.

(3) Purchasing and Marketing Business

I. HAMPERING FACTORS

01 Procurement of paddy and marketing of rice is the principal business of this KUD. Almost all its members are rice cultivators. The KUD also undertakes collection of rattan, procurement of cloves and supply of chemical fertiliser.

02 Although the KUD owns two RMUs, one of a 3-ton/hour capacity and the other 1-ton/hr, they are hardly put into operation. Both the RMUs are of a good quality with large enough drying floors attached. The 1-ton RMU has not been into operation since its establishment in 1990-91. These were given to the KUD under some technical assistance/grants programme. For some strange reasons or due to faulty planning, the 1-ton RMU was placed at a wrong place. During 1995-96 the other RMU remained shut. During 1996-97 the nearby irrigation channel got chocked because of the rice husk which caused a serious environmental problem.

03 The KUD lacks management capacity and capability. The quality of business management remained poor and of low quality mainly due to lack of working capital. The KUD purchases milled rice private rice milling units, "Mitra", for sale to the Dolog - in order to meet with its commitment to the government for supply of rice to the national food-stock. The KUD has not taken advantage of its ideal location in the area and marketing potentials. Its RMU is located in a very remote area.

04 Some of the major hampering factors relating to KUD Matutu are summarized as follows:

- The KUD has located its RMUs on wrong sites;
- Inoperational rice milling, drying floor, warehousing and inadequate transportation facilities;
- Serious management problems in rice milling activities;
- Serious lack of working capital;
- Inadequate capital mobilization efforts, especially recovery of members' compulsory deposits;

- Lack of efforts in expanding the business of the KUD e.g., multipurpose rice handling centre, livestock development (especially rearing and fattening programme for beef-cattle), rice-bran business, waserda (KUD retail outlet), processing of rattan, manufacture of feed etc.
- Inadequate management training for the employees.

(4) Credit Business

As earlier indicated, the KUD needs significant increases in assets, particularly to support working capital, to achieve higher profitability in its rice-related business. The KUD's profit margin in 1995 was only 1.1% and its two RMUs, with a combined 4-TPH capacity, operated at only 5% of rated capacity. The KUDs solar drying area and mechanical dryer are presently idle. The primary cause for this low performance is insufficient working capital to support rice procurement and milling operations and direct competition by 20 "partner" members who have now entered the rice milling business.

Due to its marginal business performance and past liabilities, the KUD's borrowing capacity is limited. Additional member capital formation will be necessary to correct this situation.

Mobilizing additional member savings is one very important means for the KUD to generate additional assets internally to support business growth. If the KUD was to expand its member savings program to a level equal to 30% of its total working capital needs, for its rice procurement business alone, KUD member savings would need to expand six and a half times from the current level of Rp. 81.4 million to Rp. 540.0 million to support the total working capital requirement of Rp. 1,800.0 million, the estimated working capital needed to sufficiently meet paddy inventory requirements necessary to sustain continuous milling operations for a six-month period (one cropping season).

Concerning the USP lending to members, the KUD is losing money on this business due to its low lending volume and interest rate structure which cannot presently cover loan delivery administrative costs for the business and still generate a surplus profit.

At present the KUD reports little earnings from member credit channeling, yet its potential earnings from this business at present lending volumes, on an annual basis, equal approximately Rp. 30.0 million. The KUD should be more aggressive in capturing this lost revenue.

(5) Guidance and education activities (Hampering factors and possibilities)

Hampering factors

i. As the fund for recruitment of employees is limited, the number of regular employees is small and KUD is depending on part time worker for clerical works and operation of facilities. Thus, the technology among full-time employees are not stabilized.

ii. KUD is not organizing women's group among member households and the bases for promotion of better living activities is weak

iii. Employees in charge of farm guidance are not specified in KUD. Only directors and employees are providing guidance in cooperation with agricultural extension workers. Their experience and knowledge are not sufficient to meet demand of members such as production and marketing of high quality rice and beef cattle. To that end, the production activities and marketing activities of farmers are not co-related and advantageous marketing are being difficult. also, the knowledge on agro-processing is meagre.

iv. In the rice milling business, the KUD is exposed to the fierce competitions with private dealers and leaders of farmers. Thus, organizing rice producers groups for joint marketing activity is being difficult.

Possibilities

i. This KUD is actively engaged in education of employees. By improving capability of regular employees, they would be possible to lead part-time worker and improve the quality of over all works. It would be possible to give incentive for part-time workers such as giving a chance to be a regular employee according to their capability.

ii. It would be possible to improve the awareness of members of importance of better living activities through mutual exchanges with neighbor KUD. It would be possible to organize women in member household as bases for better living activities through agro-processing group and mutual credit group and in cooperation with other women's groups organized by the government.

iii. Improvement of paddy farming technology ,post harvest technology as well as distribution of rice and beef cattle raising technology are the common interest for KUD members. In response to this, it would be possible to strengthen farm guidance structure of KUD by organizing beef cattle raising groups by setting income target of beef cattle raising farmers.

(6) Other Business

Not applicable as KUD has no other business services.

APPENDIX

VII

OUTLINE OF BANDUNG DISTRICT

OUTLINE OF BANDUNG DISTRICT

1) Development Plan in District Bandung

As to the agricultural development, the objective of the food crop development plan in District Bandung is to increase agricultural production including rice, palawija (secondary food crops), vegetable and fruits so that it should realize to increase income for farmers and to improve their standard of living. In order to achieve the objective, an emphasis has placed on specific aspects which are mentioned ;

- i) promotion of intensive cultivation of crops through an increase in yield applying 10-item technological package, etc.
- ii) expansion of planting area, and
- iii) improvement of post-harvest process (quality improvement, reducing waste and loss rate--targeted from 14% to 9% under the period of REPELITA VI)

Target on Paddy and Palawija under PelitaVI (Accumulated for 5 years)

Item :	Area, planted (ha):	Area, harvested (ha):	Production(ton):	Yield(ton/ha)
Paddy	603,333	573,166	3,479,246	6.07
Maize	96,505	94,883	310,013	3.27
Soybean	20,376	19,767	27,689	1.40
Peanuts	20,509	20,064	31,306	1.56
Cassava	55,201	51,651	685,134	13.27
Sweet potato	28,720	28,360	284,794	10.02
Mung bean	750	723	849	1.17

Source :Projection on the Area Planted and Harvested, Production and Yield for Paddy and Palawija under the Sixth 5-Year Plan (1994/95-1998/1999)

When it compares the first year to the final year in the plan, i.e. 1994/95 to 1998/99, it is observed that the target of the area of planting has shown a slight decrease excepting sweet potato and mung beans. It means that it is the expectation to improving a yield to realize an increase in production.

On the production of vegetable, targeted figures during the same period of the plan indicated to the range of 99% to 108%, on one hand and as to fruits the target is much variable indicating from 400% (durian) to 100% (jambu), on the other. (Quoting from the same source).

According to the annual growth targets under REPELITA VI for West Java Province, it is observed that higher growth is anticipated on livestock e.g., 7.81% for meat, 9.46% for egg and 6.05% for milk, which are in contrasting the growth rate of 1 to 3% being planned for paddy and palawija.

2) Cooperatives Development Plan

Cooperatives, in particular, KUD confronts the following issues:

- 1) need to empower the capability to adapt market / business- oriented activity,

- ii) difficulty to meet the expanding demand for markets,
- iii) a shortage of administrative and managerial skill and
- iv) a shortage in technical staff.

Furthermore, it should make effort to cope with growing competition/cooperation to private enterprise and to elevate quality and consciousness of members. Facing these issues and problems, with a strong government initiative, it is necessary to promote market-oriented business activities, and member participation and to strengthen firm financial ground and inter-cooperatives cooperation.

3) Natural conditions

District Bandung locates in southeast bound of the central part of the Province West Java with an area of 3,083 km². Land is in largely hilly and mountainous area with a height of 350m to 1,200m above sea level. There are two seasons, namely dry (June –November) and rainy (December--May) seasons. Raining days account 164 days a year with an annual rainfall of 4,200mm. (“Data for JICA Team”, supplied by District Office of the Ministry of Cooperatives and Small Enterprises Development, Bandung)

Land utilization is as follows:

Paddy field (wet land) :	61,492 ha
Upland field :	41,857
Forestry :	71,933

According to “Agro-eco system” classification of the District belongs to “highland”. Administrative unit of District Bandung constitutes 41 subdistricts, 22 cities and 429 villages. District office is in Subdistrict Soreang where major local government offices are extending services.

4) Rural Society and Economy

Provincial capital city, Bandung with population of 1,819 thousand, is big metropolitan city as well as the centre of academic, political and economic activities in west Java region equivalent to Jakarta and Sulabaya. In the area around the city, industrialization and urbanization are accelerating in recent years and it is resulted a decreasing tendency of farm land.

Population of Bandung District in 1996 was 3,193,200 breaking down into 1,586,827 of male and 1,606,373 female (Sex ratio 100:101). The number of household accounts to 796,325 and an average member of a household is 4.0. Farm household numbers 507,190 or 63.7% which includes 15,385 (1.9%) dairy farmers. Primary farmers’ group or “Kerompok Tani” numbers 2,554. Population by religion is Muslim 95.3%, Protestant 2.8%, Catholic 1.0%, the balance 0.9% consisting Bhuddist and others.

5) Agricultural Production

As Bandung District topographically extends to hilly and mountainous land in historically densely populated Java, arable land is limited from 0.3 to 0.5 ha.. The District is located close to such large and populous cities as Bandung and Jakarta (distance, 187 km) with a good access road which makes marketing farm products much advantageous to the area. As a part of the Province of West Java where agriculture has developed well from earlier times, the agricultural Development in the District Bandung has shown high performance especially in the horticulture

and livestock industry.

When comparison is made in the share by commodity between Provence and District, shares of rice, secondary food crops and fruits are 5.6%, 4-11% and 1-10% respectively, on one hand, shares of vegetable production, especially of potato and tomato counts relatively large (for potato, 134,448 ton to 205,189 tons or 65.5% and for tomato, 3,607 ton to 11,592 tons or 31.1%), on the other..

Livestock production has shown a steady increase. In particular, as to dairy products, the number of milk cow and milk production have risen from 71,030 heads to 82,340 heads or 16% and 127,216 t to 153,129 t or 20% respectively between 1990/91 and 1996/1997. The number of egg layer, broiler and production of eggs and poultry meat thereof also increased to the great extent. Among others broiler meat has shown an increase as 4.6 times as much in the period from 1990/91 to 1996/97 and has reached to the order of 8,664 tons.

APPENDIX

VI

OUTLINE OF SIDRAP DISTRICT

OUTLINE OF SIDRAP DISTRICT

Outline of the District Sidrap

1) Development Plan

The Province South Sulawesi is deemed to be the supply base of the foodstuff to eastern Indonesia in the context of food and agriculture policy in the Republic of Indonesia. Production of, among others, rice, livestock products especially poultry, and fishery has shown significant performance.

In the policy direction on the agricultural development in the Province, following point is stressed:

- i) To alter and develop the way of thinking for agricultural development (evolution of conventional practice)
 - ii) To adopt zoning of agricultural products which are suitable and favourable to local agro-ecological conditions, and
 - iii) To comprehend harvesting, processing and marketing in an integrated system.
- Under REPELITA VI, following items have selected as important farm products.

<u>Food crops</u>	<u>Tree crops</u>	<u>Livestock</u>
Rice	Cacao	Bali cow
Soybean	Coconut	Beef cattle
Maize	Coffee	Goat
Peanuts	Clove	Pig
Green beans		Buffalo
Cassava		Local chicken/Egg layers

Similar practice has been followed by the District Sidrap and rural villages are classified to produce advantageous items by zoning method. In the items specified above, for the District Sidrap appropriate items are: All food crops excepting cassava; and beef cattle, local chicken and egg layer in livestock item. With regard to rice, District Sidrap with other five districts has been selected as rice development centre so that effort will be concentrated to increase production with special emphasis on quality improvement.

Along with a similar provincial trend, livestock production in terms of the number has shown declining for a 11- year period between 1986 and 1996. Big and a middle size animal, i.e. beef cattle, buffalo horse and goat, lost their magnitude significantly ranging from 53% (horse) to 72% (buffalo). On the contrary, in the same period egg layer and local chicken have increased the number of birds as 3.5 and 2.3 times respectively.

2) Cooperatives Development Plan

The policy for the cooperatives development in Province Sulawesi is to stimulate members' initiative, to improve ability of a member, to heighten membership spirit and to expand cooperatives activity to agribusiness and agroindustry, and home industry.

Objective of the development of cooperatives is, based on the needs of cooperatives member, to strengthen business activity, to improve welfare for members and to increase the number of KUD Mandiri. Specifically, it is targeted to establish at least one KUD in subdistrict level and at district level to create a KUD Mandiri which can handle mainly specialized agricultural items.

It is also recognized the importance of facilitating access to market, capital and technology,

improving management ability and expanding business partnership programs in order to develop cooperatives.

Specific programs are stipulated hereunder:

- i) Education, training, extension for directors, staff and members of cooperatives, ii) Program to acquire funds for planning and implementation of cooperatives business,
- iii) Cooperation among cooperatives,
- iv) An amalgamation plan for cooperatives,
- v) Strengthening of cooperatives activity in less developed region and,
- vi) Emphasis on the role played by youth and women.

3) Natural conditions

District Sidrap locates central part in South Sulawesi Province with 1,883.25 km. The District administers 11 Subdistricts and 102 towns and villages. Height is 16 to 1,000m above sea level. Southwest and central part of the District is vast and flat area where paddy fields are extended. Northern part is almost flat but it partly extends towards rolling hills and mountainous area. There are a dry season (October--March) and a rainy season (April--September) in a year with 1,450mm rainfall. Of total 188,325 ha of land, 46,991 ha or 25.0% is used for paddy cultivation (wet land) and rest of the area is utilized for various purposes including grazing and forest. Eighty (80) % of wet land is irrigated, though the degree differs. (Land with technical irrigation shares 53%)

4) Rural Society and Economy

District Sidrap is about 180 km north from the capital of South Sulawesi Province Ujung Pandang. Population of the District accounts 235,964 and population density per km² is 125. Corresponding figures on Subdistricts Maritengngae and Dua Pitue where 3 KUD locate are 52,130, 62,855, 279, 56 respectively. A sex ratio of the Subdistrict is 1,000 (male): 903 (1995 Statistics, District Office Agriculture Division.). Urban population of the District is 16.5% and the percentage of population who engaging in agriculture, forestry and fishery sector accounts 60%. (1993)

Regional gross output of District Sidrap was Rp. 137,380 million, in which 62.6% was derived from agriculture, forestry and fishery (1989 provisional figures).

According to the result of national socioeconomic survey, monthly expenditure of a household which mainly relies on agricultural income accounts Rp.28, 287 with a breakdown of Rp.20, 127 for food and Rp.7, 160 for non food. An average figure on all household is Rp.34, 981 with a breakdown for food, Rp.22, 484 and for non-food Rp.12,497. Monthly expenditure of agriculture originated income is 80.9% comparing to the average figure.

5) Agricultural Production

As was seen in previous paragraphs, agriculture, forestry and fishery sector is the most important in the economy of the District (60% in working force and 63% in gross output). Agricultural Production in District Sidrap, 1996 is shown in the table hereunder.

Main Agricultural Products in District Sidrap, 1996

Product	Harvesting Area (ha)	Production (ton)
Rice	67,580	449,383
Maize	1,687	3,099
Cassava	1,045	9,143
Sweet Potato	145	1,004
Peanuts	1,652	2,184
Mungbeans	612	701
Potato	102	129
Fruits	1,035,774 (tree)	35,080
Vegetables	434	1,445

With regard to rice production, 80% of total paddy field is irrigated, though different in degree from technical irrigation to simple irrigation. The yield is as high as nearly 7 tons per hectare. Palawija (secondary food crops) production is limited and fluctuates year by year. For the period from 1986 to 1990, production of a paddy has gradually increased, on one hand, and cassava and sweet potatoes have followed a decreasing tendency, on the other. Vegetable and fruits play also not a very important role in agricultural production in the District.

In the District the number of big animals, i.e. beef cattle, buffalo and horse has decreased rapidly to 1/3-1/4 for the period between 1986 and 1996, due mainly to the extension of a 2-wheel tractor /tiller. In contrast, however, for the same period the number of chickens (local and imported bred) has grown significantly as much as 2.2 to 3.5 times. In 1996/97, all poultry including duck being kept in the District account to 3,687,074, from which 10,574 tons of eggs are produced. 8,900.84 tons of eggs were marketed outside the District.

Livestock Division of District Office put emphasis on an increase the production of beef cattle and goat which shows to cease the declining tendency in recent years and to encourage poultry development, as well. The Division is taking measures especially for improving feeding technology and animal disease control. Currently twenty four (24) Agricultural Extension Field Workers (PPL) are extending services in the field of livestock production in the District.

As is seen above, the characteristics of agriculture in the District Sidrap is big amount of rice production and prosperous chicken raising with high potentiality of beef cattle keeping in Subdistrict Dua Pitue where KUD Matutu locates.

77% of rice and 80% of eggs were marketed out of the District in 1994. Main estate crops in Sidrapare coconut, clove, cacao, cashewnut, pepper, kapok and vanilla.

