

Empowering Coffee Farmers: A Strategic CSR Approach for Climate Resilience and Market Positioning at Supreme Energy Rantau Dedap

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ABSTRACT

The Corporate Social Responsibility (CSR) initiative by Supreme Energy Rantau Dedap (SERD), in collaboration with the Anwar Muhammad Foundation (AMF) and other stakeholders, aims to enhance climate change adaptability and strengthen market positioning for coffee farmers in the SERD geothermal project area. This area encompasses the Lahat District, Muara Enim District, and Pagar Alam City in South Sumatra Province.

In developing this CSR program plan, it is also in the context of the sustainability of the Livelihood Improvement Program (LIP) which has been implemented in 2019 - 2022, which was directed towards 131 Project Affected Peoples (PAP). These PAP are divided into five Joint Business Groups (KUBE) located in two main villages, Tunggul Bute Village in Lahat District and Segamit Village in Muara Enim District. The LIP intervention aimed to strengthen six household livelihood assets of the PAP, namely human resources, natural resources, physical resources, financial resources, social resources, and intellectual resources. Evaluation results showed that the program successfully increased the PAP's income by 75% compared to their initial conditions, with the main source of income for the majority of PAP (approximately 90%) being coffee farming. Therefore, the primary target of CSR is coffee farmers, both those included in the PAP and other community members broadly in the SERD geothermal project area.

The main problems faced by coffee farmers in the project area are: 1) unpredictable weather conditions affecting the quality and quantity of coffee harvests; 2) lack of skills and knowledge about good coffee farming practices; 3) lack of skills and knowledge about good post-harvest coffee processing; 4) limited access to capital for coffee farmers; and 5) low selling prices and limited market access. The implementation of the CSR program is expected to provide solutions to these problems and ultimately improve the welfare of coffee farmers.

The scope of CSR activities for the 2023-2024 period includes data validation activities for 131 PAP, facilitation of coffee farmer institutional development, technical support for post-harvest coffee, support for coffee drying and storage infrastructure, facilitation of inclusive financing for coffee farmers with the Islamic Blended Finance (IBF) scheme, and facilitation of coffee marketing with the aggregator scheme. The CSR implementation in this period focuses on about 30 coffee farmers who are members of the Gunung Patah Farmer Group in Segamit Village. This group is a new group formed based on the initiative of coffee farmers in the village, consisting of PAP and non-PAP households.

In the next stage for the 2024-2025 period, the target of the CSR program intervention is to increase coffee productivity, promote sustainable agroforestry practices, and improve market access for coffee products. The target beneficiaries of the CSR program in this period are approximately 250 coffee farmers. In order to improve market access, initial efforts have been made to open cooperation opportunities with the Swiss Import Promotion Programme (SIPPO) and local buyer partners. Some plans to realize this cooperation will be implemented gradually and will become part of the CSR program for the 2024-2025 period

1. INTRODUCTION

In South Sumatra Province, coffee farmers face significant challenges related to financial inclusion and climate change (Schroth, G., et al. 2015). The limited access to financial services exacerbates their vulnerability to climate-related impacts, resulting in suboptimal coffee production and market interactions. Supreme Energy Rantau Dedap (SERD) recognizes the need to address these challenges through a strategic Corporate Social Responsibility (CSR) approach aimed at empowering coffee farmers to achieve climate resilience and improve their market positioning.

1.1 Background

Coffee farmers in South Sumatra, particularly in remote areas, struggle with limited access to financial institutions. This lack of financial inclusion, coupled with the adverse effects of climate change, hampers their ability to invest in necessary adaptations, such as post-harvest processing improvements and sustainable farming practices (Sarvina, Y., et al. 2023). The region's coffee production is heavily impacted by changing rainfall patterns, which can lead to decreased crop quality and yield (Schroth, G., et al. 2015). Additionally, the exploitation by intermediaries, or 'toke,' further diminishes farmers' income, creating an unsustainable market environment.

In developing this CSR program plan, it is also in the context of the sustainability of the Livelihood Improvement Program (LIP) which has been implemented from 2019 to 2022, directed towards 131 Project Affected Peoples (PAP). These PAP are divided into five Joint Business Groups (KUBE) located in two main villages, Tunggul Bute Village in Lahat District and Segamit Village in Muara Enim District. The LIP intervention aimed to strengthen six household livelihood assets of the PAP, namely human resources, natural resources, physical resources, financial resources, social resources, and intellectual resources. Evaluation results showed that

the program successfully increased the PAP's income by 75% compared to their initial conditions, with the main source of income for the majority of PAP (approximately 90%) being coffee farming. Therefore, the primary target of CSR is coffee farmers, both those included in the PAP and other community members broadly in the SERD geothermal project area

1.2 Context and Objectives

The main problems faced by coffee farmers in the project area include unpredictable weather conditions affecting the quality and quantity of coffee harvests, lack of skills and knowledge about good coffee farming practices, lack of skills and knowledge about good post-harvest coffee processing, limited access to capital for coffee farmers, and low selling prices and limited market access.

The implementation of the CSR program is expected to provide solutions to these problems and ultimately improve the welfare of coffee farmers. The scope of CSR activities for the 2023-2024 period includes data validation activities for 131 PAP, facilitation of coffee farmer institutional development, technical support for post-harvest coffee, support for coffee drying and storage infrastructure, facilitation of inclusive financing for coffee farmers with the Islamic Blended Finance (IBF) scheme, and facilitation of coffee marketing with the aggregator scheme. The CSR implementation in this period focuses on about 30 coffee farmers who are members of the Gunung Patah Farmer Group in Segamit Village. This group is a new group formed based on the initiative of coffee farmers in the village, consisting of PAP and non-PAP households.

In the next stage for the 2024-2025 period, the target of the CSR program intervention is to increase coffee productivity, promote sustainable agroforestry practices, and improve market access for coffee products. The target beneficiaries of the CSR program in this period are approximately 250 coffee farmers. In order to improve market access, initial efforts have been made to open cooperation opportunities with the Swiss Import Promotion Programme (SIPPO) and local buyer partners. Some plans to realise this cooperation will be implemented gradually and will become part of the CSR program for the 2024-2025 period.

SERD's CSR program aims to enhance the livelihood of coffee farmers by addressing these critical issues. The primary objectives are:

1. Strengthening the farmers' capacity to adapt to climate change.
2. Improving their market positioning to ensure fair trade practices and sustainable income.

2. STRATEGIC FRAMEWORK

To achieve these objectives, SERD has adopted a comprehensive approach, incorporating the Sustainable Livelihoods Framework and the AMF Co-Transformative Enterprise Development (C-TED) model.

2.1 Sustainable Framework

The framework focuses on designing strategies to optimise available capital and assets in response to vulnerabilities (Krantz, L. 2001). A thorough analysis of assets and vulnerability factors is at the core of this approach (Serrat, O. 2017). Six Capitals of Sustainable Livelihood Framework:

1. Financial Capital: Enhancing farmers' access to inclusive financial services to support business development and climate-resilient practices.
2. Manufactured Capital: Providing necessary infrastructure and equipment for improved coffee processing and production.
3. Intellectual Capital: Building farmers' knowledge and skills through training and capacity-building initiatives.
4. Human Capital: Empowering farmers with competencies and motivation to innovate and improve their farming practices.
5. Social Capital: Strengthening community networks and stakeholder relationships to foster collective action and information sharing.
6. Natural Capital: Promoting sustainable use of natural resources to ensure long-term productivity and environmental conservation.

2.2 AMF Co-Transformative Enterprise Development (C-TED)

The framework is designed to foster collaborative growth between parties through mutual learning, mutual support, and co-innovation among local enterprises (Shen, W., et al 2022). This approach leverages collective strengths to address common challenges, promoting sustainable social and economic development (Liddle, J. 2018). Collaboration between public, private, and nonprofit sectors such as AMF is essential for social enterprises to address complex social challenges and foster innovation (Qi, L., et al 2024). Key components include Co-Create, Co-Execute, and Co-Operate, creating a dynamic ecosystem that benefits the entire community by:

1. Co-Create: Collaboratively generating innovative ideas and market-based solutions tailored to the farmers' needs.
2. Co-Execute: Implementing these solutions through inclusive partnerships and effective management practices.
3. Co-Operate: Ensuring continuous improvement and sustainability of the initiatives through iterative processes and stakeholder engagement.

3. KEY ACTIVITIES AND OUTCOMES

The CSR program encompasses several strategic initiatives aimed at addressing the climate and market challenges faced by coffee farmers. Program addresses factors necessary for farmers to face potential challenges presented by climate change and market challenges. According to (Wright, D. R., et al. 2024) these initiatives collectively aim to create a sustainable and prosperous future for coffee farming communities in South Sumatra Province, those strategies including:

Financial Inclusion Initiatives:

1. Facilitating access to microloans and other financial services to enable farmers to invest in necessary adaptations and improvements.
2. Providing financial literacy training to enhance farmers' ability to manage their finances effectively.

Climate Resilience Measures:

1. Supporting the installation of climate-resilient infrastructure, such as solar panels for post-harvest processing.
2. Promoting sustainable farming practices that improve soil health and water management.

Market Positioning and Fair Trade:

1. Establishing fair trade partnerships to ensure farmers receive equitable prices for their coffee.
2. Creating a cooperative model to aggregate coffee production, thereby enhancing bargaining power and market access.

Capacity Building:

1. Conducting training programs on best farming practices, quality control, and business management.
2. Facilitating knowledge exchange and collaboration among farmers to foster innovation and continuous improvement.

Environmental Conservation:

1. Implementing measures to protect and restore natural ecosystems, ensuring the sustainability of coffee production.
2. Promoting agroforestry and other practices that enhance biodiversity and ecosystem services.

These initiatives collectively aim to address the multifaceted challenges faced by coffee farmers in the SERD geothermal project area, ensuring their economic sustainability and environmental stewardship (Wright, D. R., et al. 2024). By providing financial tools, enhancing climate resilience, improving market access, building capacity, and conserving the environment, the CSR program seeks to create a sustainable and prosperous future for the coffee farming communities in South Sumatra Province.

The CSR program focuses on enhancing the capabilities of coffee farmers and strengthening agricultural markets through the 6 capital approach, stakeholder mapping, mentorship, and monitoring. Additional activities supporting the CSR program include the construction of a greenhouse (Dome) and storage warehouse, participation in the IIGCE, collaboration with the ADB mission, presenting at the Serelo CSR Award, and holding collaborative discussions with RIGSIS and the Directorate General of New, Renewable Energy, and Energy Conservation (EBTKE) of the Ministry of Energy and Mineral Resources (ESDM). The execution and outcomes of these activities are detailed below.

The first site visit took place from August 28-31, 2023, aiming to identify and analyze the conditions of coffee farmers to form the basis for the CSR program planning. Activities included sustainable livelihood surveys through in-depth interviews and discussions with various stakeholders. The agenda encompassed socializing the CSR program with KUBE members and coffee farmers in Tunggul Bute and Segamit villages, conducting questionnaires and FGDs, observing coffee plantations, and surveying potential locations for the greenhouse and storage warehouse. Key findings indicated financial unpreparedness among farmers due to dependency on harvest income, unstable coffee prices, and reliance on middlemen for farming capital. The visit also identified the roles of local government and potential land for development in Talang Pisang.

The second site visit, held from November 15-19, 2023, focused on post-harvest training for coffee farmers and the presentation of post-harvest processing facilities. Activities included coordinating the training with the Gunung Patah Farmers Group, observing potential construction sites for post-harvest facilities, and conducting training sessions on both dry (natural) and wet (full wash) coffee processing methods. The training involved 25 participants from the Gunung Patah Farmers Group and featured discussions on facility development plans. Concurrently, the AMF team discussed the CSR program implementation and community empowerment criteria with the EBTKE team during their visit.



Figure 1: Training and Assistance in Post-Harvest Coffee Processing

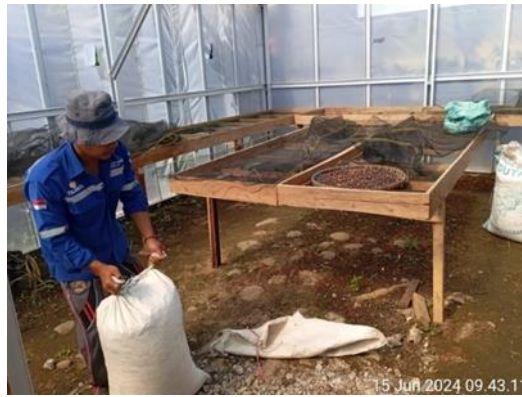


Figure 2: Coffee Farmers in Post-Harvest Coffee Processing Training



Figure 3: Coffee Farmers in Post-Harvest Coffee Processing Training

4. CROSS-CUTTING INITIATIVE

The CSR program is aligned with the International Finance Corporation (IFC) Environmental and Social Standards (ESS) Framework 2017 and the Sustainable Development Goals (SDGs) of Indonesia. It focuses on:

1. ESS1 - Assessment and Management of Environmental and Social Risks and Impacts: Ensuring comprehensive risk assessments and management plans to mitigate environmental and social impacts.
2. ESS6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources: Promoting practices that support biodiversity conservation and sustainable use of natural resources.
3. ESS10 - Stakeholder Engagement and Information Disclosure: Maintaining transparent and inclusive stakeholder engagement throughout the program implementation.

The Corporate Social Responsibility (CSR) program in the SERD geothermal project area aligns with the International Finance Corporation (IFC) Environmental and Social Standards (ESS) Framework 2017 and Indonesia's Sustainable Development Goals (SDGs). It prioritises comprehensive risk assessments, biodiversity conservation, stakeholder engagement, and transparent information disclosure to address environmental and social challenges

The CSR initiatives also contribute to several SDGs, including:

1. Goal 1: Ending poverty by enhancing the economic resilience of coffee farmers.
2. Goal 5: Achieving gender equality by empowering women farmers.
3. Goal 8: Promoting sustained, inclusive, and sustainable economic growth.
4. Goal 13: Taking urgent action to combat climate change and its impacts.
5. Goal 15: Protecting, restoring, and promoting sustainable use of terrestrial ecosystems.

5. CONCLUSIONS

The strategic CSR approach of Supreme Energy Rantau Dedap aims to empower coffee farmers by addressing the dual challenges of climate change and market positioning. Through financial inclusion, capacity building, sustainable practices, and fair trade initiatives, the program seeks to enhance the resilience and livelihood of coffee farmers. By aligning with international standards and contributing to global sustainability goals, SERD demonstrates its commitment to fostering a sustainable and equitable coffee industry in South Sumatra.

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