

Terms of Reference

Title:	Reviewing Rice Factory Business Plan and Loan Restructure Proposal for KSU ATOM
Project number:	18atom-7399
Mission number:	AS.10576
Period:	24 – 28 September 2018
Business advisor (BA):	Tina Napitupulu

Introduction cooperative

Koperasi Serba Usaha Andalan Tani Organik Mbay (KSU Atom) is a cooperative of rice farmers located in Mbay District, Flores, Indonesia. KSU Atom was first established as an association of organic rice farmers in 2009 with the purpose of providing a better market access for rice farmers in Mbay. In 2014 Atom Association changed its status into a producer cooperative and in 2016, Atom further incorporated itself into a Koperasi Serba Usaha (multi-purpose cooperative) and works with 854 farmers of which 91 farmers are member. Membership of cooperative is given to individuals who have paid principal-savings (Rp50,000), share-savings (Rp200,000) and completed first year compulsory-savings (Rp100,000 per harvest). Farmers do not possess milling unit. Milling units are provided by service providers in each of villages or at local collectors. The products and services of KSU Atom can be divided into:

Organic Rice

- Buy rice from members / farmers
 - sell to customer directly, large buyers, hospital, hotel, restaurant, etc.
- Survey the role model and demo plot to promote the organic farming
- Motivate farmers to prefer organic farming
- Coordinate and assist farmer group in planting organic rice
- Observe and check the condition of rice farming in each phase to protect them from pest and disease.

Organic Input Supply

- Produce organic fertilizer and pest / disease control
- Assist Farmer in how to produce organic fertilizer and pest / disease product by themselves.

Merchant / Retail

- Sell rice directly to end customer in one of traditional market in Ende.
- To mitigate the risk of contamination from conventional rice, they sort the organic rice by sorting machine dedicated in merchant.

Conventional Rice

- They sell conventional rice through their merchant and marketing force.

Livestock

Cooperative received a grant for livestock breeding of 50 cows, 75 goats, and 35 pigs for three years, from Finland Government in 2015. With the livestock, organic fertilizer can be produced. Their services are:

- Check the condition of animal every two months
- Conduct free health injection
- Produce compost and pesticide from the feces of livestock.

These livestock are bred by 80 Pomaron (farmers). Pomaron is expected to get benefits, including consume / sell milk, ploughing, etc. After three years, cooperative will sell the livestock and receive 35% profit sharing.

Kerosene

They also sell kerosene to end customer for use of equipment for rice production.

Selling and buying non-certified white and red rice is the primary business of Atom. In 2016, Atom purchased 14.8 tons of rice, sold 11.4 tons of rice to consumers and earned an estimated margin of IDR 14,935,514 (EUR 904.140).

Background of the mission

"Reviewing a Rice Factory Business Plan for KSU ATOM" is an assignment within the framework of project 18atom-7399 "Healthy cooperative and farmers with organic rice production" in Indonesia. The Agriterra business advisor responsible for this assignment is Tina Napitupulu. In case of changes in the assignment and/or programme the business advisor has to be consulted immediately. Tina Napitupulu (business advisor) is involved on behalf of Agriterra in Indonesia. The organizations involved in this assignment is KSU Atom and Agriterra.

Main objectives

- Bankable Rice Factory Business Plan
- Suggestion on loan (re)structure of the company
- Identify business risks and suggestion on how to mitigate that risks.

Mission

- Composition of the mission: the mission will be carried out by an expert with knowledge of banking with the rice sector background. The Dutch expert will be accompanied by Tina Napitupulu, business advisor for Agriterra in Indonesia.
- Division of tasks: Tina Napitupulu, Agriterra Business Advisor will provide draft of Rice Factory Business Plan (in MS Excel and MS Word), while the Agripool expert will review it and provide several comments and suggestions to make the Rice Factory Business Plan bankable, optimise Debt-Equity ratio, and bridging loan. The draft business plan will be emailed prior to the Agripooler visit. Bram Maurits, business advisor Agriterra will support with the translation.
- Duration of the mission: the mission will take place for five days from 24 to 28 September 2018 (excluding traveling, preparation and reporting).

Activities

Agripool expert:

- Read information about the rice sector in Indonesia.
- Review and revise the draft Rice Factory Business Plan.
- Interview shareholders of the company (Boards and management) together with local Business Advisor.
- Coach the cooperative boards and management on the financing options based on the available collateral.
- Assist the cooperative boards and management and local business advisor how to make the business plan bankable.
- Discuss with the shareholders how to do the follow-up.

Business advisor:

- Draft programme of the session, share with Agripool expert and discuss by skype beforehand
- Collect information about the rice sector in Indonesia
- Draft a Rice Factory Business Plan
- Interview shareholders of the company (Boards and management) together with Agripool expert
- Discuss and define strategic choices with the potential shareholders
- Discuss with the potential shareholder about the follow-up
- Arrange local logistics and interpreter.

Expected results

- Bankable Rice Factory Business Plan and Loan (Re)structure proposal
This report should be a separate report (not combined with the mission report or annex), that is adopted by the organisation as their own report. This report should not contain any Agriterra related information.
- Short mission report including: Findings, conclusions and recommendations
- Used material of business planning coaching (in annex of mission report).

Tentative programme

Date	Activity	Night at	Who
21 Sept	Leaving the Netherlands to Denpasar Bali (Indonesia)		
22 Sept	Arriving in Denpasar (evening)	Bali	
23 Sept	- Flying to Ende (morning), continue by travelling by car for 2 hours to Mbay, NTT - Preparation (afternoon)	Mbay	
24 Sept	- Presentation on assignment - Fine tuning programme - Coaching on Business Plan - Discuss the draft Rice Factory Business Plan	Mbay	
25 Sept	- Interview with cooperative, bank (morning) - Working on Business Plan and Loan (Re)structure (afternoon)	Mbay	
26 Sept	- Interview with member farmers (morning) - Working on Business Plan and Loan (Re)structure (afternoon)	Mbay	
27 Sept	Additional Interview (in needed) &/ Working on Business Plan and Loan (Re)structure Finalisation of the visit: presentation to the board, manager & employees about Business Plan & Loan (Re)structure;& Recommendations and advice to move forward (afternoon)	Mbay	
28 Sept	Leaving Mbay Flores to Denpasar Bali (morning) Flying to the Netherlands (evening)		
29 Sept	Arriving in the Netherlands		

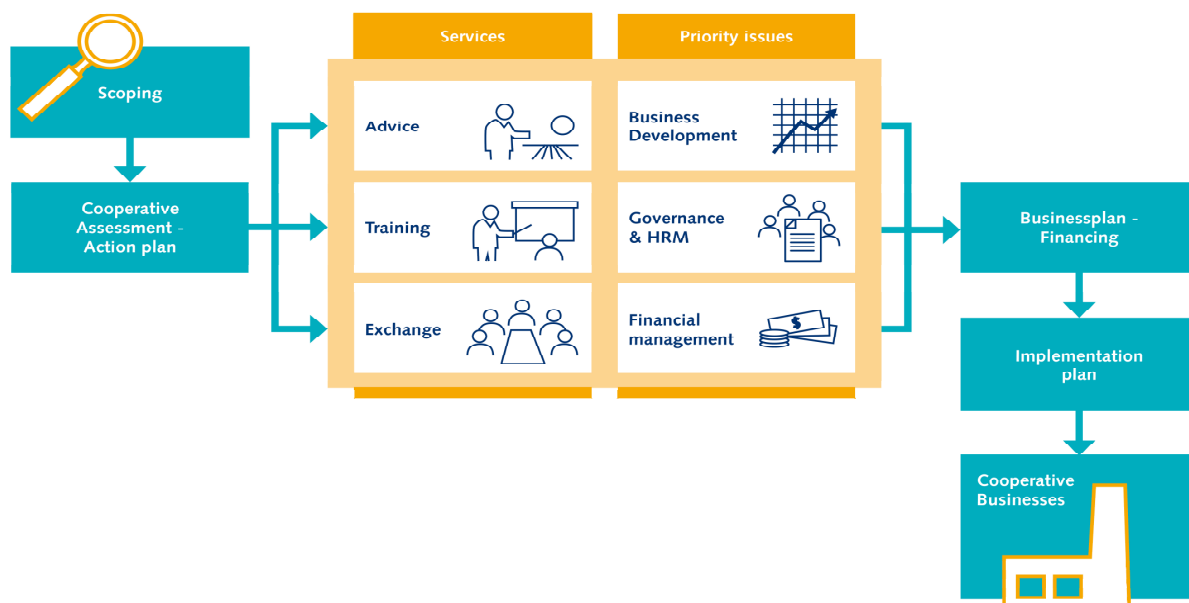
Agripooler = ...

BA = Business Advisor

Annexes

1. Cooperative Assessment report
2. Reporting guidelines.

Agriterra, for cooperatives



Agriterra provides high quality, and hands-on advice, training and exchange services, to cooperatives and farmer organisations with maximum impact for socio-economically strong and productive rural areas. In 2018, with 117 employees, Agriterra advises 208 cooperatives in 35 countries. With our programme we reach more than 500.000 farmers. In the last two years we have already mobilised more than 20 million euro made available through policy changes. More than 40 cooperatives are linked to banks with a mobilised loan for working capital and investments of more than 15 million euro, while 33 clients have a processing facility with increased production.

Through professionalising and strengthening cooperatives in Latin America, Africa and Asia, Agriterra contributes to positive economic development and better income distribution. Farmers organised in strong, competitive and trustworthy cooperatives are indispensable for a vibrant rural economy, fostering agricultural development and off-farm employment in rural areas.

Agriterra draws on a century of cooperative knowledge in the Netherlands disclosed via its extensive network in the Dutch agri-food sector. These experts and agripool experts from farmers organisations all over the world, work together with business advisors from the Netherlands and national business advisors in the countries where Agriterra staff is based.