

Strategies to close the living income gap of smallholder farmers: the case of rubber in Kapuas Hulu, Indonesia

Case summary (May 2018)

A living income

The impact of public and private interventions aimed at increasing the income of smallholder rubber farmers in Indonesia has been insufficient. Today, farmers clearly do not earn a decent standard of living. In recognition of this fact, a debate on *living income* has appeared on the agenda of leaders in public and private spheres.

A living income is the net household income sufficient to enable all members of the household to afford a decent standard of living, including food, housing, healthcare, education, transport, communication, recreation and a buffer for emergencies and unexpected events.

To support closing the gap between actual incomes and the income needed for a decent living, this summary and underlying report provide guidance on which strategies can be implemented to improve farm incomes and therefore close the gap in the case of natural rubber, specifically in the Kapuas Hulu district in Indonesia.

The case of rubber in Kapuas Hulu, Indonesia

Indonesia is the world's second largest producer and exporter of natural rubber. In Kapuas Hulu in West Kalimantan, rubber has been widely cultivated since the 1970s and grew in popularity in the 1990s due to improved infrastructure. All rubber there is produced by smallholder farmers.

Although rubber represents the primary source of income for many households in Kapuas Hulu, today the majority of smallholder households earn well below a living income.

A few key challenges persist that impede rubber farmers in Kapuas Hulu from earning a living income.

These challenges are summarized below:

Low productivity

- Lack of access to improved varieties and knowledge of good agricultural and post-harvest practices

Low prices

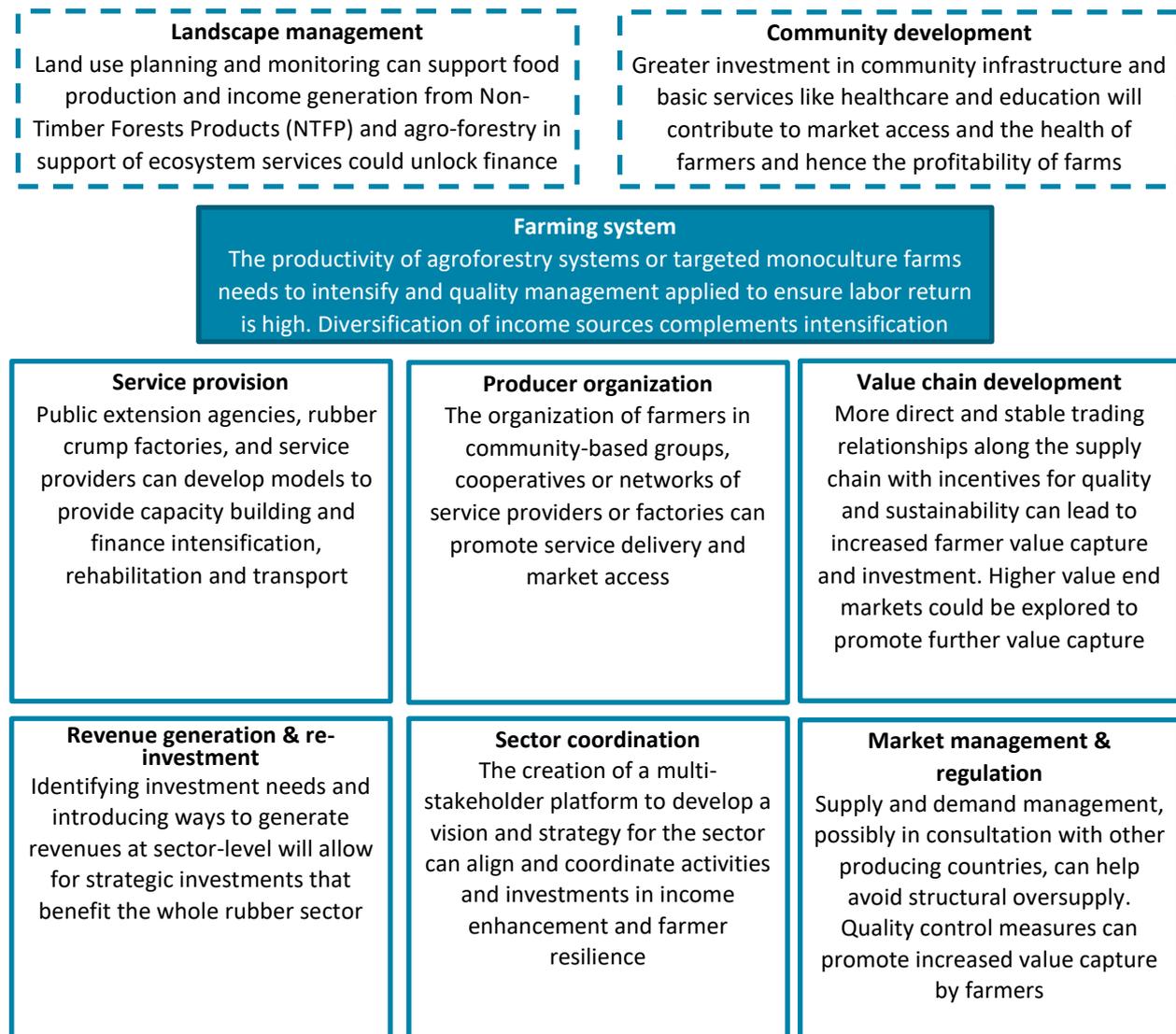
- Lack of market access and knowledge of market information and quality requirements
- Lack of quality management
- Low levels of trust along the value chain
- Low value end markets
- Volatile world market prices

Closing the living income gap

So far, there have been little efforts in Kapuas Hulu to increase the income of smallholder rubber farmers. Projects that have taken place in other locations in Indonesia over the past two decades give some insights on potential strategies.

The next page presents an overview of complementary strategies that could contribute to systemic change. The strategies are organized according to a set of building blocks or pathways defined by the Sector Transformation framework developed by Aidenvironment, Sustainable Food Lab and IIED. It defines pathways to transform the producer base, service sector, value chains and to improve the governance of the sector by sector coordination, market management and regulation and revenue generation and re-investment. They are complemented by possible interventions at the community or landscape level.

Figure 2: Key strategies to close the living income gap in the rubber sector of Kapuas Hulu, Indonesia



Roles for different actors

Government in Indonesia and Kapuas Hulu district -

Implementation of a wide range of policies to manage quality, supply and demand. Organization of multi-stakeholder dialogue;

Governments in consumer countries

- Policy development around due diligence and sustainability in supply chains and revision of competition law to allow for a level playing field where all companies internalize social and environmental costs into prices;

Supply chain actors - Assessment of value addition and distribution in their own supply chains, investment

in traceability and promotion of more favorable trading relationships with their suppliers;

Service providers - Development of services relevant for whole farming systems and viable delivery models;

Research and advisory organizations

- Support of the development of viable farming systems, service delivery models, and value chain models. Applying living income benchmark studies;

Voluntary standard systems and multi-stakeholder platforms

- Support of research on living income benchmarks and actual farmer

income as well as innovation of their standards systems. Multi-stakeholder platforms can facilitate the sector dialogue and roadmap development;

Civil society organizations - Advocacy to public and private actors on ensuring a living income is paid and monitoring of the extent it is realized;

Donors and development organizations - Support of the above actor's work, including recognizing the need for alternative livelihood opportunities with an objective of systemic change.