

**History of the Internal Control System at the Association of Organic Cacao Farmers
(APKO) in Pidie**

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Plenty of Activities, but Limited Funding and Reliable Resources

Another big problem faced by ICS is weeds and diseases that attack cacao trees. The farmers are not used to the organic farming practice of mechanical or manual weeding, instead of using herbicides. The farmers are also eager to apply chemicals to control cacao plant diseases. It requires constant monitoring of ICS staff, who must continually inform the cooperative of internal problems, verbally or in writing, in every meeting.

The field inspection performed by ICS inspectors to members aims to guarantee the farmers' produce. If a violation is found, the inspector must report in writing by filling in a form. The inspectors must also try to propose solutions to problems found on site. Farmers that are found to violate the communally-formulated regulations by using chemicals will receive sanction in form of a warning or reduction of organic conversion period to 0 (zero) years. All reports must be notified in the Moderation Committee meeting and decided within the meeting.

In general, in the beginning of work unit development, the cooperative and ICS institution work together in planning the schedule and targets before applying for certification of the farmers' group. After the work schedule, roles, and responsibilities are arranged, the ICS staff will receive theoretical and practical training. They will act as field guide as a part of cooperative work unit that aims to achieve integrated cacao cultivation producing cacao beans of SNI-approved quality.

Training of farmers is conducted subject to availability of funding, which depends on the smooth, profitable operation of the cooperative. Therefore, the planning and budgeting of ICS activities (including training) is conducted in the cooperative members' annual meeting. The cooperative profits could then be distributed to the member farmers both in form of cash or training.

There are two types of internal inspection performed by ICS staff under the direction of the ICS coordinator. In general, all farmers will be inspected annually to verify and improve data, e.g. plot area, production estimate, market price, and new member registration. The inspector must also check the plots, the farmers' house, and conducting interviews with the farmers. The data would then be processed for verification and summarized into tables to aid calculations of presenting the statistical data, such as total area, total production, number of farmers, and number of female farmers.

The second internal inspection is assuring that the raw data as collected into Approved Farmer List is credible, by conducting spot inspection. This inspection involves the most credible staff under direct supervision of ICS coordinator to ensure that the sample farmers (3-5% of total farmer members) truly conform to organic standard criteria in their farmland, including the plots planted with other crops (rice or other annuals). All inspection results will be discussed by the Moderation Committee. After the Committee reaches decision, all procedures and requirements of certification will be completed with the certification bodies to obtain the external certification.

The external certification process will be assisted by ICS staff. In general, during external inspection there are two essential things that must be considered: complete documentation by ICS administration, and site visits that include direct interviews with the farmers and field check.

Challenges faced by ICS

The first challenge faced by ICS is the operational cost in the beginning of the organic program, for a minimum 1-3 year period. The cost includes various activities: training, internal inspection, data collection and processing, and ICS guidelines and manual printing. In the next phase, ICS is expected to be able to cover the operational cost from the cooperative's profit. At APKO Pidie, around 2-6% of profit is earmarked to fund ICS activities.

Another challenge is the environmental problems of conventional farming practices. To solve the problems, several organic program activities are conducted to persuade farmers to improve their agricultural practices. For example, the farmers should refrain from burning a newly opened plot of farmland. They should also protect river banks by keeping the trees along the riverside, including bamboo stands.

The implementation of ICS often triggers conflict of interests. The ICS unit must strive to keep its independence and integrity as a sort of referee, while promoting organic standard practices as beneficial to all member farmers.

The foundation of ICS work unit provides several advantages to the cooperatives and the farmers themselves. With good training in organic farming and good cultivation methods, ICS staff is well-prepared to guide the farmers in cultivating, harvesting, and processing their crop, thus improving the quantity and quality of their cacao. Several ICS staff members with excellent performance have also been recruited by the Bureau of Agriculture as contract or permanent guides, in accordance with their academic background. This counts into the success of improving farmers' welfare and ICS staff's knowledge and capacity. The data collected for preparing the AFL are also valuable for the regional government, which gain detailed knowledge of the farmers in the region.

Marketing as the Common Responsibility of the Cooperative and ICS Unit

Marketing cacao beans has not been performed effectively by the APKO Pidie cooperative and ICS unit. They still face the problem of funding and getting collaboration agreement with buyers. Another big problem is in finding external technical support. Both the cooperative and ICS unit need training, funding, and marketing support.

The ICS unit, which promotes product certification, also faces the problem of getting a premium for the farmers' organic cacao beans. Currently the farmers have not received a premium, even though they have enjoyed a better price by performing fermentation to their harvest. The organic certification that the cooperative has obtained is thus almost meaningless, while larger production would mean higher assurance and certification costs. However, with certification, the cooperative gains a stronger bargaining power when negotiating for collaboration with local or national private companies. Hopefully the

collaboration will result in better deal for the farmers, thus enabling the cooperative and ICS unit in fulfilling their role of serving the farmer members and surrounding communities.

The Role of the Cooperative and ICS in Achieving Success

The structure of ICS will be adjusted to the development of organic cacao cultivation. In the beginning of the program, data administration staff, purchasing staff, and field staff of ICS play an important role in administration and registration of participating farmers. Afterwards, they are responsible for the administration of purchasing, processing, and harvest quality control.

Post-harvest processing of cacao beans as conducted by the farmers is still quite simple, limited to sun-drying. They do not sort the cacao beans based on the quality, due to lack of knowledge and no price difference between good- and bad-quality beans. They never performed fermentation to their harvest. It is a duty of the cooperative to promote quality control and fermentation practice among farmers, in order to fetch a better price for their product.

The ICS unit must also anticipate various risks concerning the quality of organic produce along the production, transportation, storage, processing, and exporting stages. Each stage must be controlled and documented in accordance with the internal control procedures. The ICS must perform early identification of risks, both at the farmland (regarding cultivation practice), harvesting, post-harvest processing (sorting, sun-drying, storing, and processing), transportation, and also export. After risk identification, the ICS must formulate the procedure to eliminate or reduce the risks. ICS must also improve the ability of farmers and cooperative in managing those risks.

The organic cacao program in the district of Glumpang Tiga, Aceh, was founded based on the farmers' recognition of their responsibility to perform sustainable farming practice. The organic cacao program members manage their cacao cultivation without chemicals, including fertilizers, pesticides, and herbicides. Through the organic program, participating farmers gain knowledge to improve the quantity and quality of their product through organic fertilizing, integrated pest and disease management, post-harvest processing by fermentation, and better sun-drying method. Through those best practices, the participating farmers will enjoy better income and the environmental condition of the region will also improve.