

EXECUTIVE SUMMARY

As the world's largest archipelago, Indonesia is gifted with the abundance of rice, the agricultural product which serves as the nation's staple food. But in spite of its reputation as one of the largest rice producers, about 4 million rice farmers still live below the poverty line. Indonesia's Poverty Analysis from Asian Development Bank (2015) shows that in 2014, 11% of Indonesian population are still living below the government's poverty line, i.e. consumption outlays at about \$ 0.82 a day. From that 11%, 59.36% of them are farmer households (Indonesian Ministry of Agriculture, 2014). This condition is mainly caused by farmers' low bargaining position in the rice market.

Rice farmers need a large amount of capital to grow more rice for the next harvest season and meet other financial needs. Meanwhile, during harvest season in Indonesia, rice stockpiling happen almost everywhere across the country, leading to rice oversupply and price slumping. Because these farmers barely have any proper storage to maintain their rice quality for months, they have no other choice than to sell their crops right away to "tengkulak" or middlemen, even before their crops are ready to be harvested. These "tengkulak" usually purchase the whole crops in a rice field at a very low price, then sell them with a high markup to rice companies.

Indonesian government has long taken further steps to create more efficient and profitable system for the rice farmers through the warehouse receipt system. Warehouse receipt system aims to provide more flexibility in the timing of rice sales and purchasing, as well as a financing alternative for farmers through collateralization against their stored produce. Produce stored in warehouses can be used to get immediate financing from participating banks. Farmers may use the loan to pay debts while safely storing their produce until market prices are competitive again after the harvest season has passed.

Several warehouse receipt systems have been implemented to address this problem, but they fail miserably as they lack of professional management. Most of the warehouses are operated by local farmer cooperatives of which managers hardly have proper training for warehouse system management. Therefore, many warehouses and supporting facilities provided by the government are now abandoned.

Believing on Indonesia's potential as one of the world's largest rice producers,

PARAMA aims to provide better source of income for farmers by providing a professional management on warehouse receipt system. In accordance with our main mission, that is to promote farmers' welfare, we emphasize community development programs as our main competitive advantage. We allocate most of our profits for give-back programs. These programs include free training sessions and other community services which will help the farmers communities grow into independent and prosperous ones.

With the spirit of social entrepreneurship at heart, our business offers remarkable benefits not only for the farmers community, but also for investors. As much as IDR 10.6 billion is needed for the initial investment. This amount will be used to procure land, buildings, machineries, vehicles, and other equipment required to run the operations. All capital will be funded by 100 percent of equity, where investors can have 30% of our share. With this investment, investors can expect a positive NPV with 20% IRR in less than 3 years.

