

From the Fragrant Highlands to the Netherlands

A Case Study on the Evolution of the Adoption of Ethical Value Chains for Kerinci Cinnamon



By

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ABSTRACT

The concept of ethical value chains emerged as a response to conventional trade that has put a strain on small producers in the resource periphery. The alternative chains are said to allow trade to be carried out in fairer terms and for the benefits to be distributed to all actors in the value chains. This concept however, has not been widely used in the global spice industry.

This research aims to investigate the nature and evolution of ethical value chains of an Indonesian cinnamon commodity. As part of the resource periphery, Indonesia is the leading producer of cinnamon, with 66% of the world's cinnamon supply coming from this country. The cinnamon industry itself has long been an important source of income for the people of Kerinci, the largest cinnamon producing area in Indonesia. Using a qualitative case study, this research examined TAKTIK, a farmers' group in Kerinci, which is known to have been implementing some form of ethical practices in their value chains.

The study found that ethical practices occurred as a result of a value chains intervention programme conducted by an International NGO and a local NGO. Ethical value chains were adopted through the establishment of a farmers' organisation, adoption of organic farming and certification, and Geographical Indications registration. This study finds that the factors that prompted the adoption of the ethical practices varied among value chain actors. However, there was a common goal of improving the livelihood of farmers and realising more equitable commodity trade. This research enriches the global literature on ethical value chains, particularly on spice commodity and the benefits of adoption for value chain actors.

Keywords: *Value Chains Framework, Fair Trade, Organic Agriculture, Geographical Indications, Spice Trade, Cinnamon, Indonesia, Kerinci*

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Ad maiorem Dei gloriam
For the greater glory of God

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ACRONYMS

ATO	Alternative Trading Organisation
CSO	Civil Society Organisation
FLO	Fairtrade Labelling Organisations International
GI	Geographical Indications
Gol	Government of Indonesia
GVC	Global Value Chains Framework
IFOAM	International Federation of Organic Agriculture Movements
KSNP	Kerinci Seblat National Park
MPIG-K2J	Masyarakat Perlindungan Indikasi Geografis – Kayumanis Koerintji Jambi (Community for the Protection of Geographical Indications for Koerintji Cinnamon Jambi)
NGO	Non-Government Organisation
TAKTIK	Tani Sakti Alam Kerinci Farmers Group
VOC	Vereenigde Oost-Indische Compagnie (Dutch East Indies Company)

CHAPTER 1

THESIS INTRODUCTION

1.1 Thesis Background

Globalisation has put a strain on commodity producers in the South as they work to meet the demands from consumers in the North. The conventional trading practices obscure the process of production because they emphasise profits but rarely put attention on the people who are involved in the production and the social and environmental impacts of production (Hudson & Hudson, 2003). In short, free trade has failed the commodity producers, who are often the weakest actor in the global economy.

Responding to this trend, a number of trading schemes have emerged as an alternative to conventional trade. Fair trade and organic production are two examples of the socially and environmentally conscious alternative schemes. Historically, fair trade arose during the post-World War II era as a way to embrace the agenda of member states of the United Nations to promote equitable trade between developed and developing countries (Fridell, 2007). It was during this time that the UN promoted fairer prices to benefit commodity producers in developing nations. The adoption of more ethical trading schemes, such as fair trade has created the opportunity for disadvantaged producers in developing countries to access markets under beneficial terms, as well as providing a new model of consumer-producer relationship that empowers producers through supply chain innovation (Nichols & Opal, 2005). This new model allows benefits to be distributed to all stakeholders. Place-based names protections such as Geographical Indications (GIs) have also emerged as a legal means to restore the claim of benefits back to the people of the geographical origin of the commodity. There is a consensus among scholars that GIs promote accountability, traceability and certain characteristics related to a product's quality (Giovannucci, Josling, Kerr & O'Connor, 2009; Bowen, 2010; Dagne, 2015).

In the last decade, fair trade, organic agriculture and geographical indications have been studied in the context of global value chains discourse (Bidwell, Murray &

Overton, 2015). These alternative trading schemes are considered to have inherent ethical values, such as: transparency, accountability, fair wage, and environmental protection, to name a few; and therefore is referred to as 'ethical value chains'. Studies on ethical value chains are informed by the global value chains analysis as its theoretical underpinning, but at the same time criticising it for its heavy emphasis on economics (Bidwell, Murray & Overton, 2015). Studies on ethical value chains, therefore, have incorporated ethical aspects and more development-related issues such as the impact of certain value chains on producers' livelihoods, environment or the national or local economy in the context being studied.

Many of the studies on ethical value chains, however, have concentrated only on certain commodities such as coffee, cocoa, banana, and other key commodities (Bidwell, Murray & Overton, 2015). The literature seems to be saturated with studies on those commodities, but still lacking on studies about other, less popular, commodities such as spices. Historically, spices are an important group of commodities that prompted a large proportion of European imperialism in many regions in the South. Nowadays, spices are still produced in the South and are still exported to the North as this is where most of the consumers are located. Although they are still sold at quite high prices, their sizes, when sold in retail markets, are so small that many people have taken them for granted, including academia. Unsurprisingly, this also means that there is a scarcity of studies on this subject.

This thesis can help fill that gap by studying the implementation of ethical value chains in the context of an Indonesian cinnamon commodity, namely Kerinci cinnamon. Indonesia is the biggest contributor to the supply of global cinnamon. Around 66% of the global cinnamon supply comes from Indonesia (Iskandar et al., 2012). Most of the supply for Indonesian cinnamon export comes from a small district in Sumatra, called Kerinci. Although in general cinnamon production does not contribute greatly to the Indonesian national economy, this crop is an important source of income for the people of Kerinci. Kerinci cinnamon (*Cinnamomum burmannii*) does not only possess economic value for the Kerinci people. This spice also has cultural values due to the sentiment of the local people who see it as an ancestral plant.

Moreover, as a country that, to a certain extent, is still considered part of the resource periphery, Indonesia is still in the position of producing commodities to meet consumer demands in the core countries. With that said, ethical values are sometimes not an important consideration for both the producers and buyers of commodities. As a result, the uptake of ethical value chains implementation is still low and research on the area also scarce. There is however, a growing trend in the development sector, to improve rural livelihoods by incorporating ethical values into the value chains through value chain intervention initiatives. Studying the implementation of ethical value chains in Indonesia thus becomes important because of the potential impacts that ethical value chains may have on the local economy.

1.2 Research Questions

In order to examine the implementation of ethical value chains in the Kerinci cinnamon commodity, I use a qualitative case study approach. The global value chains framework, complemented with analysis of benefits will provide me with a sound analytical framework. Furthermore, I have devised a central question and a number of sub-questions that are expected to guide my thesis. They are:

Main question:

What is the nature and evolution of the adoption of ethical value chains for Kerinci cinnamon?

Sub-Question:

1. How is the concept of ethical value chains being implemented in the case of Kerinci cinnamon?
2. What are the factors that prompted chain actors to participate in the ethical value chains?
3. What have been the perceived benefits of the implementation of ethical value chains for the relevant actors, such as farmers, buyers and intermediaries?

1.3 Thesis Outline

This thesis consists of seven chapters. Chapter one introduces the reader to the research topic and provides a brief background to the subject of the study. This chapter also outlines the research questions that are expected to guide this study. In

chapter two I present a review of the current literature on ethical value chains, in particular on the topics of fair trade, organic agriculture and geographical indications, and the implications of each of them to the development sector. An overview of how the concept of ethical value chains have been implemented in Indonesia is also presented in this chapter. Chapter three details the methodology used in this study: research design and the justification for my research. Reflections on my fieldwork experience and the challenges of doing research in my home country are also presented in chapter three. In chapter four the context of Kerinci and the cinnamon commodity are presented in relation to colonialism, economic contribution of the commodity, and rural development in Kerinci. Chapter five discusses my first set of findings, which are related to the implementation of ethical value chains for Kerinci cinnamon. The types of adoption, standards, key actors and the dynamics of the value chains are discussed in this chapter. Meanwhile, the second and third sets of findings are discussed in chapter six. This chapter details the factors that prompted value chains actors into participating in the value chains, as well as the perceived benefits of participation. In chapter seven I further discuss the dynamics of the implementation and its implication for the global development agenda. I conclude the thesis by discussing the implication of the case study for the value chains framework and reflecting on the whole research process.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter aims to provide an overview of the concepts that inform my study and how each of them has been applied and their relations to development. The first section will focus on value chains framework, which is the core analytical framework used in this thesis. The second section discusses fair trade, organic agriculture, and geographical indications, which are the three most widely used ethical value chains concepts in the agricultural context. Because fair trade and its socioeconomic impacts have been extensively reviewed, the discussion on fair trade in this chapter is only intended to give a general overview of the theme. More emphasis will be put on the organic agriculture and geographical indications. The last section focuses on how ethical value chains have been applied in the context of Indonesian agriculture in general.

2.2 Value Chains

2.2.1 Value Chains: A Framework for Analysis

Stemming from the World Systems Theory, the discussion on value chains began as early as the 1980s with the work of Hopkins and Wallerstein when they coined the term “commodity chains”, which refers to “a network of labour and production processes whose end result is a finished commodity” (Hopkins & Wallerstein, 1986, p. 159). In a follow up work, they stated that actors are located within the chains according to the transformation of input and the output resulting from that transformation, and that the major direction of products in the chains is from the periphery to the core (Hopkins & Wallerstein, 1994).

According to Gereffi and Korzeniewicz (1994, p. 2), the ‘global commodity chains’ (GCC) is an approach that can be used as a means to understand “the changing spatial organisation of production and consumption in the contemporary world-economy”. As an approach, GCC focuses on the power relations within the world economy, in regards to the difference in markets and resources that each actor in the chains is able to access. Further, they noted that the networks of labour and

production processes in commodity chains are specific to a situation, socially constructed and locally integrated. Gibbon, Bair, and Ponte (2008) reiterated this by stating that economic globalisation is characterised by how the process of production is organisationally fragmented and geographically dispersed. Bowen (2010) summarised the aim of GCC studies as a way to identify the distribution of value as well as where, how and who created it along commodity chains.

In recent years, value chains analysis has been more widely used in the agri-food industry, despite originally being developed for manufacturing production (Bidwell, Murray, & Overton, 2015). For example, Dolan and Humphrey (2000) used value chains analysis to study the value chains governance of fresh vegetables, especially in regards to the influence of European retailers on the processes and structure of African vegetable production. Vagneron and Roquigny (2011) used global value chains analysis to study the distribution of values in the conventional, organic and fair trade banana chains in the Dominican Republic. However, the use of value chains as an analytical framework has its own limitation. Bidwell, Murray and Overton (2015) highlighted three limitations of value chains framework, stating that: (1) the framework is overly economic, potentially disregarding the social embeddedness of economic relations and how certain contexts may influence how the framework fits in different places; (2) it considers actors at a macro or meso scale, using firms or category of producers as units of analysis, potentially undermining the difference of power of certain actors who fall under the same category (i.e small holder farmers); (3) the framework fails “to consider the imperatives of the capitalist mode of production that underlie the behaviours of all market participants” (p.4).

This criticism suggests that, to a certain extent, the value chains framework alone could be too simplistic when used in analysing the dynamics of certain commodity chains. Bidwell, Murray and Overton (2015) further recommend the complementary use of micro-level studies, such as livelihoods and production relations, and an evaluation of the national political context in which the particular value chains operate, in order to enrich the analysis of certain value chains dynamics, especially in their relation to development.

2.2.2 Value Chains and Development

In order to better understand how value chains impact development, it would be beneficial to first examine how academics have endeavoured to study the intersectionality between value chains and a number of developmental issues such as poverty, livelihoods and environment.

Bolwig, Ponte, Du Toit, Riisgaard, and Halberg (2010) developed a strategic framework that integrated micro-level concerns into value chains analysis, which allows us to examine the impacts of value chains on certain crosscutting developmental issues such as poverty, gender, and environment. Using this framework that combines the vertical elements of value chains analysis (for example: governance, upgrading, and standards) and the horizontal elements of value chains (for example: terms of participation, livelihood, gender, and processes) we would be able to look closely at the experience of the weaker actors in the value chains (i.e. small producers).

Informed by the above framework, Challies and Murray, (2011) studied the impact of global value chains of Chilean raspberry on the livelihood of the smallholder farmers using a combination of value chains and rural livelihoods frameworks. Using the value chains framework, the authors gained insights into the complexity of Chilean raspberry production and its governance and quality requirements. Meanwhile the livelihood frameworks allowed them to analyse the terms on which smallholder farmers are integrated into the value chains. This study found that the governance of the raspberry value chains is dominated by private retailer standards and as a consequence smallholders are constantly required to upgrade. Furthermore, the Chilean government plays a role in promoting the participation of smallholder raspberry farmers into the value chains through various programmes implemented by the Ministry of Agriculture and local government. It was also stated that the impact of Chilean raspberry GVC on smallholder farmers' livelihoods is strongly mediated by the nature, intervention and quality of institutions in the value chains. The authors suggested that supporting the farmers to integrate into the value chains alone is not enough and that any support has to be extended such that the farmers are capable to continue upgrading and retaining their access to the value chains.

In recent years, there is a growing trend among development agencies to incorporate value chains framework into their development initiatives. Some examples of how development agencies use value chains approach in their strategic programmes come from USAID, GIZ and Australian Aid. USAID has been using value chains approach to promote economic growth since 2006 (Kula, Downing, & Field, 2006). This inclusive market development initiative was implemented by linking micro and small enterprises (MSEs) into international, national or local value chains. One project that USAID funded under this initiative was the Leveraging Economic Opportunities (LEO) which was launched in 2014 (USAID, 2014). This three-year project built on the value chains approach, taking into consideration relevant value chains actors and the relationships between them, the market systems and crosscutting issues such as climate change, poverty, gender and sociocultural factors. This project was implemented in a number of countries such as Cambodia, Ethiopia, Timor-Leste, and Zambia, by a consortium led by ACDI/VOCA. Meanwhile, the German international development agency, GIZ, incorporated value chains approach into their rural development initiative. They do so by supporting upgrading strategies of value chains actors through mobilisation of private and public investment funds (GIZ, 2015). For example, GIZ supported the development and dissemination of a business model that promotes agricultural growth and higher income in Ghana's agricultural sector, especially for the pineapple, citrus, mango and maize value chains. Similarly, Australia Aid also used value chains approach as part of their development initiatives, in particular for the agriculture, fisheries and water sectors (DFAT, 2014). Through the Australian Centre for International Agricultural Research (ACIAR), Australia Aid sought ways to improve productivity and distribution channels as well as to improve market access in the agricultural, fisheries and water sectors in their partner countries. An example of how the value chains approach is used in Australia Aid's activities is the promotion of Vanuatu cocoa in the higher value Australian market.

2.3 Ethical Value Chains

2.3.1 Fair Trade

History and Evolution

Conventional trading practices disconnect producers from their consumers. Fair trade emerged as a response to address the problems resulting from conventional trading schemes. Similar to the organic movement and geographical indications (GI), fair trade builds on the same spirit of empowering marginalised producers. However, unlike organic and GI which are primarily two Western concepts that have been adopted by developing countries, fair trade emerged from the trade experience between the South and North countries (Bidwell et al., 2015). The aim of fair trade is to provide opportunities for disadvantaged producers in the South to access markets under beneficial terms (Nicholls & Opal, 2005). Fair trade highlights the unequal market relationships as the cause for low commodity prices and the difficulties faced by producers in developing countries (Mohan, 2010). Meanwhile, the new consumer-producer relationship created by fair trade empowers producers through supply chain innovations that potentially allows the distribution of benefits to all stakeholders.

Bidwell, Murray and Overton (2015) highlighted the difference between the fair trade movement and the fair trade network. The fair trade movement aims to rebalance international trade in aid of developing countries, while the latter refers to the trading relation between South country producers and their importers and retailers in the North. The fair trade network (commonly known as fairtrade) consists of alternative trading organisations (ATO) and the certification and labelling of products.

The most widely accepted definition of fair trade is the one by the World Fair Trade Organization (WFTO):

“Fair Trade is a trading partnership, based on dialogue, transparency and respect, which seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalised producers and workers – especially in the South. Fair Trade organizations...engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.” (World Fair Trade Organization, 2014)

According to Nichols and Opal (2005) fair trade operates based on: agreed minimum prices, focus on development and technical assistance through agreed social premiums, direct purchasing from producers, transparency and long-term partnerships, cooperative dealings, provisions of financial support and market information to producers, democratic organisation of farmers and workers, sustainable production practices, and no labour abuse throughout the production process.

There are two major fair trade network organisations with the authority to certify producers and label fair trade products, namely the International Fair Trade Association (IFAT), now known as the World Fair Trade Organisation (WFTO), and the Fairtrade Labelling Organisations International (FLO). While it appeared to be successful in boosting alternative movements, the WFTO's market success was quite limited (Raynolds, 2009). Conversely, FLO has been gaining more success through its producer certification body, FLO-Cert and its national-based product labelling bodies, such as TransFair USA or the UK Fairtrade Foundation (Raynolds, 2009). A study by Jaffee (2012) showcases a rich discussion on the inter-movement dynamics of fair trade, highlighting the issues of fair trade co-optation by large businesses, and its implication on fair trade organisations.

Principles of Fair Trade

In 2009 the WFTO together with the FLO issued 'A Charter of Fair Trade Principles' (Fair Trade Advocacy Office, 2009) in which the two organisations agreed on a set of core principles based on their practical and shared experience. These core principles act as the pillars of fair trade implementation which must be met by fair trade organisations, and serve as a reference point for dialogues among the organisations. The core principles established in the charter were:

1. "Market access for marginalised producers" (Fair Trade Advocacy Office, 2009, p. 7)

Conventional trading chains are long and inefficient, resulting in the exclusion of small producers. Fair trade allows the producers, who would normally be marginalised, to establish direct links with buyers and consequently benefit more from the sales.

2. “Sustainable and equitable trading relationships” (Fair Trade Advocacy Office, 2009, p. 7)

In fair trade, the price and terms of payment that are offered by buyers must take into consideration the costs of production, cost of safeguarding the environment, and the prospect of improving their future circumstances. The long-term trading partnership between buyer and producers will help ensure the sustainability of producers’ livelihood.

3. “Capacity building and empowerment” (Fair Trade Advocacy Office, 2009, p. 7)

Producers are assisted in getting the right information regarding the market conditions and the knowledge or skills that would improve their conditions.

4. “Consumer awareness raising and advocacy” (Fair Trade Advocacy Office, 2009, p. 7)

Fair trade enables producers to connect with consumers and at the same time helps increase consumers’ awareness about social justice. In return, fair trade consumers become the advocates and promoters of more equal trading systems.

5. “Fair trade as a ‘social contract’” (Fair Trade Advocacy Office, 2009, p. 8)

“Fair Trade is not a charity but a partnership for change and development through trade” (Fair Trade Advocacy Office, 2009, p. 8). Fair trade buyers committed to go beyond the expectations of conventional trade, including paying fair prices and providing capacity building for producers. The benefits that producers’ organisations get from fair trade will be used to improve the social and economic conditions of their members.

Although in general the principles of fair trade are prescribed specifically for and must be met by all the fair trade organisations, it is possible that they are also practiced by non-fair trade organisations. Further, building on the core principles agreed in the charter, the WFTO established a set of principles that is commonly known as the “Ten Principles of Fair Trade” (Sarcauga, 2014). The WFTO’s principles are more elaborate, incorporating more aspects such as labour, working conditions,

gender equity and environmental protection. The ten principles prescribed by the WFTO are:

- (i) creating opportunities for economically disadvantaged producers;
- (ii) transparency and accountability;
- (iii) fair trading practices;
- (iv) payment of fair prices;
- (v) ensuring no child labour and forced labour;
- (vi) commitment to non-discrimination, gender equity, and women's economic empowerment and freedom of association;
- (vii) ensuring good working conditions;
- (viii) providing capacity building;
- (ix) promoting fair trade; and
- (x) respect for the environment.

Application and Impact of Fair Trade

The application of fair trade certification is relatively popular for agricultural products. Among the agricultural products that are certifiable by the FLO are cocoa, coffee, fresh fruit, rice, honey, and spice and herbs (FLO, 2011). It is interesting, however, that in the last decade, coffee is the focus of most studies on the impact of fair trade (Bacon, 2005; Dragusanu, Giovannucci, & Nunn, 2014; Jaffee, 2012; Johannessen & Wilhite, 2010; Raynolds, 2009; Ruben & Fort, 2012), while only few scholars studied other commodities such as banana (Moberg, 2005; Shreck, 2005) and wine (Moseley, 2008).

Studies have reported varying impacts of fair trade in developing countries. Producers' participation in alternative systems, such as fair trade, has reduced exposure and vulnerability to low coffee prices, meaning that producers have benefitted from more price stability (Bacon, 2004; Fridell, 2007). However, because fair trade certified products have mostly been situated in mainstream markets controlled by multinational companies, it has been suggested that most of the economic income from the sales of fair trade products are acquired by the consumer countries (Johannessen & Wilhite, 2010). Moreover, smaller actors in the value chains, such as seasonal farm workers, are often not accounted for as recipients of benefits

of fair trade. Some scholars have argued that there is only modest direct impact on income and production from fair trade certification (Ruben & Fort, 2011; Dragusanu, Giovannucci & Nunn, 2014) but positive changes are seen more in the agricultural management side, such as in farmers' organisation, use of input, and farmers' capacity (Bacon, 2004; Ruben & Fort, 2011).

2.3.2 The Organic Agriculture

Organic Movement and Principles

The organic movement has gone through a number of shifts in focus from its early conception to its modern day application. The initial development of organic agriculture dates back to the early 1920's. In its early days, organic agriculture was focused on the health and spiritual aspects of food and agriculture (Kristiansen & Merfield, 2006). In the decades that followed, organic farming focused on the preservation and improvement of soil health as a way to counter the perpetual problems faced by agriculture, such as erosion and soil depletion (Kuepper, 2010). This second wave of organic movement was marked with the establishment of associations such as the Rodale Institute in the United States and Soil Association in the United Kingdom (Kristiansen & Merfield, 2006).

During the 1960s, the organic movement underwent a significant change, in parallel with the global social and political upheaval that happened during the same period. In earlier decades, organic movement had ultraconservative political tendencies, which was contradictory to what the 1960s and 1970s movement was about (Kuepper, 2010). Industrial agriculture was once again criticised for the use of chemical pesticides and other toxins as well as the threats these substances have on the environment (Kristiansen & Merfield, 2006). This period saw a shift in the focus of the organic movement, with the movement then focusing more on environment sustainability. The evolution of the organic movement continued into the 1970s. Although during this time the organic movement still had not received much attention from state actors, there were more and better coordinated actions amongst non-governmental actors. These coordinated actions later transformed into a global network with the formation of IFOAM in 1972. Kuepper (2010) argued that the 1960s and 1970s were the decades that put the organic movement on stage and

paved the way for it to become an industry. The 1980s saw an explosive growth in global organic agriculture but ironically, during this period, consumption of organic products became a mainstream trend and merely a symbol of social status (Kristiansen & Merfield, 2006).

As the literature revealed, it was the 1960s and 1970s that shaped the modern day organic movement, as we know today and the principles of modern organic agriculture are no longer only about the health of the soil or the plants. Codex Alimentarius, the food code established jointly by the Food and Agriculture Organization of the United Nations (FAO) and World Health Organization (WHO) stated that:

“Organic agriculture is a holistic production management system which promotes and enhances agro-ecosystem health, including biodiversity, biological cycles and soil biological activity. It emphasises the use of management practices in preference to the use of off-farm inputs, taking into account that regional conditions require locally adapted systems. This is accomplished by using, where possible agronomic, biological, and mechanical methods, as opposed to using synthetic materials, to fulfil any specific function within the system.” (FAO, 1999)

This more holistic and inclusive aspect of organic agriculture is reflected in the IFOAM Organic Principles (IFOAM, 2005):

Principle of Health: “Organic agriculture should sustain and enhance the health of soil, plants, animals, human and planet as one and indivisible” (p. 2).

Principle of Ecology: “Organic agriculture should be based on living ecological systems and cycles, work with them, emulate them, and help sustain them” (p. 2).

Principles of Fairness: “Organic agriculture should build on relationships that ensure fairness with regard to the common environment and life opportunities” (p. 3).

Principles of Care: “Organic agriculture should be managed in a precautionary and responsible manner to protect the health and well-being of current and future generations and the environment” (p. 3).

Furthermore, during the 1980s and 1990s, Europe alone saw a significant growth in interest in organic farming, including better political interest by the European Union, with the introduction of standards for organic plant production in 1991 (Michelsen,

2001). Michelsen argued that the development of organic farming in Europe is not merely an agricultural change; it also signifies the integration of social change into agriculture.

Demand for organically produced food continues to grow following the more organised movement and political buy-in from Governments. The total retail sales of organic food and drinks in 2014 was 80 billion US dollars (Willer & Lernoud, 2016). There are a number of factors that caused this rising demand for organic food. Health and wellbeing related reasons such as changes in dietary habit and major food scares that happened in Europe in the late 1990s have partly contributed to the uptake of organic products (Zanoli & Naspetti, 2002; Hallam, 2003). Other factors influencing the rise of organic farming include people's concerns about the environment in general (Pearson, Henryks, & Jones, 2011) and their desire to better understand the production and processing, including the traceability, of their food (Hallam, 2003). This expansive growth, however, is centralised in developed countries, with Europe and the USA as the main markets for organic food. Meanwhile, the growth of organic farming in developing countries is slowly catching up. For example, there is positive growth in the market for organic farming in Kenya, although it is mostly centred in the capital city where there is a bigger population of foreigners and upper middle class citizens (Kledal, Oyiera, & Njororge, 2009).

Standards and Certification

The expansive growth of global organic agriculture is followed by the creation of standards of organic agriculture in many countries. Currently, there are 87 countries that have national organic agriculture standards (Huber, Schmid, & Moller, 2016) with various stages of implementation. Some of these countries only have national standards but have not adopted national organic legislation. Moreover, almost half of these standards have been endorsed as organic by IFOAM, such as the standards in Germany, UK, Turkey, China, Israel, Argentina, and Tunisia, to name a few. There are also a number of countries, such as Russia, Bangladesh and Egypt that, as of 2015, are still in the process of drafting organic standards.

Moreover, not all certified organic products are going to be accepted by export destination countries. Japan, European Union countries, and the USA will only import

organic products certified by agencies that are approved by their respective competent authorities (Huber et al., 2016). For example, the USA, one of the top organic consumers, will only accept organic products certified by agencies that are accredited by the United States Department of Agriculture (USDA). Huber et al also stated that there is a rigorous process that a certifying agency has to follow, and the cost of getting and maintaining this accreditation is considerably high. This means that certifying agencies need a strong financial capacity in order to gain the recognition.

One can assume that the cost associated with obtaining and maintaining recognition of certifying agencies in the major economies partly contributes to the high cost of getting organic certification. This in turn means that getting organic certification is financially burdensome, especially for producers who come from developing countries. This calls for an alternative that is more affordable and accessible by Southern country producers who are interested in getting organic certification to enter their local markets. In the last few years, producers who cannot afford the cost of getting third party organic certification have been adopting the Participatory Guarantee Systems or PGS (D'Amico & Castro, 2016). IFOAM (n.d.) described PGS as *"locally focused quality assurance systems. They certify producers based on active participation of stakeholders and are built on a foundation of trust, social networks and knowledge exchange"*. The systems have been adopted by producers in 72 countries. In Asia there are 40,400 producers who are involved in PGS, making this the leading region for PGS adoption. The most successful cases, however, can be seen in the Pacific Islands where the adoption of PGS has spread rapidly and gain government support over the past few years since the systems were first adopted by New Caledonia in 2010 (D'Amico & Castro, 2016). Currently the initiatives are implemented in seven islands in the Pacific Community, involving 630 stakeholders, and a total of 5586 hectares of certified land.

Studies on Organic Agriculture

The focus of many studies on organic agriculture in the context of developing countries have been on the impact or benefits of organic agriculture of certain export commodities, such as coffee, bananas, and cacao on farmers' livelihoods (Crucefix,

1998; González & Nigh, 2005; Minten, Dereje, Engeda, & Tamru, 2015; Raynolds, 2008). Although in recent years, there have been studies that focused on other kinds of commodities, such as organic vegetables (Singh & Maharjan, 2014) and tea (Qiao, Halberg, Vaheesan, & Scott, 2016) as well as on the implementation of alternative certification systems (Nelson, Gómez Tovar, Schwentesius Rindermann, & Gómez Cruz, 2010). Nonetheless, these studies also revealed some interesting findings that support as well as contradict some of the claims related to the benefits of organic farming.

Crucefix (1998) studied the impact of organic agriculture projects on the livelihood of farmers in several developing countries. One of his case studies is on the impacts of organic cacao farming in Belize. This case study found that there was a steady increase in the sales of cacao by the Toledo Cacao Growers Association (TCGA) following the uptake of organic agriculture by the association in 1994. Their sales increased from only 13,200 kg in 1994 to almost 30,000 kg in 1998. The association also recorded an approximate 40% increase in income, or around US\$39,000 flowing into the association in 1997. Most importantly, the introduction of organic cacao as cash crops in Toledo had helped the previously marginalised region to integrate into Belize's national economy. Drawing from this case study as well as other cases in the paper, Crucefix recommended that since the benefits of organic agriculture are not immediately apparent or experienced, there needs to be some incentive to keep the producers interested, especially during the initial years.

Minten et al. (2015) studied the benefits of voluntary sustainability standards in the Ethiopian coffee industry. Although premium has been one of the primary selling points for organic and Fairtrade certification, this study found that there is a limited transmission of premium from the buyer's end to the producers for Fairtrade and Organic certified coffee. It was stated that only around one third of the premium was actually transmitted to the producers. According to their findings, on average there is as little as US\$20 additions in the producers' yearly income following Fairtrade and organic certification. The study also found little effect of organic and Fairtrade certification on producers' welfare.

A longitudinal study by Raynolds (2008) was done for the organic sector in the Dominican Republic. This study investigated the implications of global organic market trends on the country's organic export and their small producers. The Dominican Republic ranks as one of the top producers for organic bananas, cocoa, coffee and the more niche organic mangos in Latin America. Due to international competition and buyers' quality expectations, across the different export commodities, it is mostly the large producers who can meet the demands of the mainstream markets. This has put the small producers in the Dominican Republic in a marginalised position. The mainstreaming of organic products has resulted in the shift of power in the value chains, in that buyers have more dominance in the organic market chains, replacing the power of small producers that historically have an important role in the emergence of Latin American organic agriculture. However, it was suggested that strong producers' associations and their engagement in the transnational movement can help to strengthen their position.

A recent study by Singh and Maharjan (2014) analysed farmers' perceptions of yield and income from organic vegetables farming in the Kathmandu Valley and Chitwan District, Nepal. This study found that less than half of their subjects perceived an increased yield of organic vegetables. Subjects stated that they have positive perception of their experience in practicing organic farming but a negative perception related to the cost of expanding their farm area in order to increase their yield. Contrary to the findings from Raynolds' (2008) study, Singh and Maharjan found that Nepalese consumers are vital in boosting the organic vegetable market; perhaps because in this country organic agriculture is still at its early stage of development. It is good to note that, since not all the organic products are certified, mutual trust between farmers, sellers and consumers has so far been an important aspect of the organic vegetable market in the Kathmandu Valley. Singh and Maharjan also recommended that organic producers need some kind of encouragement through credit facilities or crop insurance during their initial years. This recommendation is similar to the one given by Crucefix (1998).

More promising impacts of organic farming were found by Qiao et al. (2016), who assessed the social and economic benefits of organic and fair trade tea in China

and Sri Lanka. Their study found that producers who have farming as their sole livelihood benefit from the higher price premium and market access. Those who do not feel the benefits are usually the ones who have combined household income from farming and other non-farming income (such as from family members who work in the city). Furthermore, the study found that the adoption of organic farming in conjunction with the fair trade system contributed positively to local community development. In both cases, the increased income and better market access as the results of organic and fair trade adoption in the tea industry has had the potential to attract small producers to stay in their villages. In the long run it could provide more employment in the communities, especially in the processing and packaging side of the industry. Women, who may not be able to work away from their homes, in particular, would benefit from this scheme.

The development of alternative certification for organic products, namely Participatory Guarantee Systems (PGS), has gained wide acceptance from organic producers who would like to obtain organic certification to sell their products in the domestic markets (Nelson et al., 2010). Nelson et al. studied the implementation of the systems in Chapingo, Mexico. Through PGS, producers may be able to obtain organic certification under friendlier, less bureaucratic terms and at more affordable costs. The systems make it possible for organic produce to be sold at a price that is fair for the producers but still accessible by consumers. Mutual trust between producers in the community is an essential aspect of the PGS certification process, similar to the principles of the old organic certification process. Furthermore, the government's support through the inclusion of PGS into the legal framework governing organic farming has proven to be beneficial for organic producers in the country. In line with the recommendations by other authors regarding support and incentives for farmers, Nelson et al. also found that the implementation of PGS in the Chapingo market was more successful compared to the other markets because of their close ties to the University of Chapingo, an agricultural university in the area. The university provided major support to the market, such as providing a place and administrative resources for the market.

2.3.3 Geographical Indications

The History and Evolution of Geographical Indications

Geographical Indications (GIs) are “place-based names that conveyed the geographical origin, as well as the cultural and historical identity, of agricultural products” (Bowen, 2010 p. 209). Based on international agreements GI is a certification that “identifies a good as originating in a delimited territory or region where a noted quality, reputation or other characteristic of the good is essentially attributable to its geographical origin and/or the human or natural factors there” (Giovannucci, Josling, Kerr, O’Connor, & Yeung, 2009, p. 5). GIs promote traceability of a product, including its quality, the place where it originates, its geographical characteristics (Bowen, 2010; Giovanucci et al., 2009), and even the culture and traditional knowledge that is an integral part of agricultural production (Dagne, 2015).

Historically, the use of place-based names as a means to protect agricultural products date back to the late 19th century when France first used place-based delimitation to protect their wine product against fraud (Trubek, 2008). This first legal attempt, however, did not consider the parameters of quality, resulting in overproduction and price reduction. In the last few decades the use of place-based name for agricultural product has become more complex. It is no longer limited to linking products with their place of origin, it also considers the cultural values, traditional knowledge, the reputation of a region and, essentially, quality of the product, as we can see in the description of geographical indications by Bowen (2010) and Giovanucci et al. (2009). Countries have also realised the importance and the potential of using ‘indication of source’ as a means of protection for their commodities that many of them have put proper domestic regulations in place. The United States and the European Union are at the forefront of this consolidation.

Internationally, there have been a number of multilateral agreements that provide frameworks for the implementation of the use of ‘indication of source’, although the mechanism and granting of legal protection are unique to each individual country. The Paris Convention of 1883 is the oldest agreement and the one that has the largest number of signatories. It was also the earliest to mention

international protection of indications of origin across national borders. However, the protection for appellation of origin did not start until the advent of the Lisbon Agreement of 1958 (Hughes, 2009). According to Article 2 (1) of the Lisbon Agreement, “appellation of origin means the geographical name of a country, region, or locality which serves to designate a product originating therein, the quality and characteristics of which are due exclusively or essentially to the geographical environment, including natural and human factors” (WIPO, n.d.). This agreement allows each country to decide how they will protect an appellation, according to their domestic legal system. And once the appellation is protected domestically and registered with WIPO, all member countries of the Lisbon Agreement must protect that appellation within their borders (Hughes, 2009). Table 2.2 below provides a brief description of each of the multilateral agreements.

The most recent and widely referred agreement regarding GI is the WTO’s Trade-Related Aspects of Intellectual Property Agreement (commonly known as TRIPS) that was established in Uruguay in 1994. This agreement defines what is meant by GI, provides the basic regulatory framework for GI, aligns the standards of protection and gives access to international dispute settlement mechanisms (Giovannucci et al., 2009). Since this agreement did not only provide definition of GI, it became the basis of the laws concerning GI in WTO member countries. It is important to note that with regards to implementing GI as a form of intellectual property, there are three categories of countries: (i) those that have specific GI laws or *sui generis* systems; (ii) those that use trademark systems or other legal or administrative means; (iii) those that have no formal recognition or protection for GI. Examples of countries using the *sui generis* system are: France, Mexico, and Indonesia. Meanwhile, the USA, Japan, Australia and Canada are known to be some of the countries using the trademark, certification marks or a collective marks system. In 1977 l’Organisation Africaine de la Propriété Intellectuelle (OAPI), one of the regional intellectual property organisations in Sub-Saharan Africa, established a system for the regional protection of appellation of origin, but until 2008 there was still no GI registration for products from OAPI member countries (Hughes, 2009).

Table 1 International Agreements Related to Geographical Indications

Name of Agreement	Effective Date	Scope	Signatories
Trade-Related Aspects of Intellectual Property Agreement of the WTO (TRIPS)	1 January 1995	In Part II, Section 3: Art. 22, 23 and 24 of the agreement. Basic definition and general standards re. GI, including agricultural products; specific and additional protection for wine and spirits categories, details for future negotiation. Minimum standards for protection of non-alcohol GIs. Used by national systems as point for departure and to comply with WTO rules	WTO members
The Madrid Agreement	14 April 1891 (extended with Madrid Protocol 1989)	Central international registration of marks – may or may not constitute protection for a GI. Administered by WIPO (World Intellectual Property Organisation)	97 members covering 113 countries
The Lisbon Agreement for the Protection of Appellation of Origin	1958	Helped recognise a country's appellation of origin in countries other than its own. Country of origin must protect and recognise the origin. Can be used for agri-foods or other qualifying products. Administered by WIPO	26 members. USA, majority or EU, Japan and Canada are not signatories.
The Paris Convention for the Protection of Industrial Property	1883-1884; latest revision 1979	Refers to widest sense of industrial property – includes patents, marks, trade names, and GIs. The earliest to mention international protection of GIs across national borders. Includes obligation to protect "indications of source" against fraud.	176 countries

Note. collated from Giovanucci et al., 2009 and WIPO, 2016

To date there are 167 countries practicing GI as a form of intellectual property (Giovannucci et al., 2009). The majority of them are developed countries – with EU countries being at the forefront of the practice. As of 2008, there are 8,900 registered GIs in OECD countries and 1,400 in developing countries, and these numbers continue to grow. Similar to organic products, the biggest market for GI products are the USA and EU, although the two regions differ in the way they view GI. The EU views GI with regard to the quality, cultural values and special characteristics that are associated with a product as well as the region that produces it. Meanwhile the USA has a more product oriented view and uses GI as a marketing tool to reward producers (Giovannucci et al., 2009).

Geographical Indications and Development

Bowen (2010) has argued that GIs allow products to be embedded in many aspects of development: social, economic, cultural and ecological. Drawing from the current GI literature, Bidwell, Murray, & Overton (2015, p. 15) stated that GI has the “potential to protect local identity and traditional knowledge and promote environmental sustainability while also achieving economic dynamism and competitive advantage for local producers”. Studies on the developmental impacts of GI have been done in various agri-food chain contexts such as tequila in Mexico (Bowen, 2010; Bowen & Zapata, 2009); cheese-dairy value chains in Latin America, France and Poland (Bowen, 2010; Bowen & De Master, 2011; Mancini, 2013), Basmati rice in India (Jena & Grote, 2012), and green tea and fruit in China (Zhao, Finlay, & Kneafsey, 2014). The findings from these studies showed the different levels of success as well as both the positive and negative impacts of GI on rural development in the various agri-food chains being studied.

Bowen and Zapata (2009) and Bowen (2010) studied the potential contribution of the GI for tequila to socioeconomic and environmental sustainability in Mexico. The GI for tequila was established by the Mexican government in 1974. Although tequila is a product with a longstanding history of GI establishment, the impacts of GI for tequila in the last couple of decades have mainly been a negative one. Since 1993, the supply chains of tequila have been coordinated by the Tequila Regulatory Council (CRT) and the demand for tequila has significantly increased since 1995, leaving

supply chain actors incapable of meeting the demand. After this shortage, however, producers experienced a period of surplus, making it hard for independent agave producers to sell their products. This situation worsened due to the acquisition of many of the Mexican liquor firms by multinational corporations. This constant cycle of shortage and surplus has had a number of negative socioeconomic and ecological impacts such as economic insecurity for small producers in the agave farming communities and increased use of chemical inputs in agave farms. The authors argued that the GI for tequila failed to “value the ways in which the terroir of tequila’s region of origin have contributed to its specific properties” (Bowen & Zapata, 2009, p. 108). This mismanagement of GI for tequila has become an example of how GI deviated from its potential positive development impact to instead putting small producers in a marginalised position (Bowen, 2010).

Mancini (2013) studied the implementation of the GI initiative in the context of the dairy-cheese industry in Latin America. She argues that GI allows developing countries to move into more lucrative niche markets. When embedded in global value chains and implemented as a product differentiation strategy, GI can become a tool for developing countries to boost technical and economic development in rural areas. However, it also has the potential to exclude farmers from more marginalised areas from experiencing its benefits. This study found that internationalisation has helped the technical and economic development of the dairy sector in Latin America but at the same time it has put small farmers in an unfortunate position due to the lack of representation in the GI organising body. Furthermore, misunderstanding and fragmented knowledge of the requirements of GI, even among relevant government officials have also contributed to the failure of GI in the dairy sector in Latin America. The combination of all the above resulted in the GI scheme being legally halted. This study highlighted the need for an appropriate policy and legislation support as well as rigorous dissemination of knowledge for a GI to be successful.

Bowen and De Master (2011) studied the impact of protection of heritage and tradition associated with traditional French and Polish cheese products on rural livelihoods. In the case of the French Comté cheese, local actors in the cheese value chains generated more power through the institutionalisation of traditional notions

of culture. The presence of strict production specification and the ability to guarantee production have also contributed to the success of the GI for Comté cheese. Such is not the case, however, for the Polish Oscypek cheese. On one hand, the institutionalisation of traditional notions of culture acts as part of Poland's effort to harmonise Poland's diverse agriculture to that of the other countries within the region, following its accession into the EU. On the other hand, due to the diverse agricultural tradition within the country this rapid process of sublimation poses a risk to Poland's diverse agri-food traditions, making them more static and the opportunity for innovation bureaucratic. In this sense, GI have the potential to put extralocal actors in a privileged position at the expense of local communities, making the scheme a mere "museums of production" (Bowen & De Master, 2011, p. 81).

The case study of the potential of GI for basmati rice done by Jena and Grote (2012) provides another illustration of how a GI has both positive and negative impacts on development. Although at the time of this study basmati rice has yet to receive GI protection, it already has a longstanding quality reputation and was protected by a GI-like scheme by major importing countries. This study shows that basmati rice farming is more profitable than other kinds of rice farming, and that adoption of basmati farming has increased the welfare of farmers' households. Because of its established quality reputation, GI protection may not result in increased sales of basmati rice. However, it can help prevent counterfeiting and control the volume of production while ensuring that producers can benefit from the price premium. The process of obtaining GI for basmati rice in India was a long course that was not entirely smooth. India is not the only country where basmati rice is grown. This type of rice is also grown in some parts of Pakistan. According to the Pakistan Union of Small and Medium Enterprise (UNISME), Pakistani basmati rice also has the inherent unique characteristics and features of basmati rice that is grown in India (Pakistan Business News, 2013). UNISME urged their Ministry of Commerce to revisit the GI because they realise that the restriction of areas of cultivation would marginalise basmati rice growers in Pakistan. Pakistan eventually lost their GI bid for basmati rice because Pakistan's Basmati Growers' Association failed to comply with

the requirements when they filed their counter-affidavit during the GI notice period (The Times of India, 2016).

Similar to the case of GI in other countries, GI has been a symbol of quality for agri-food products in China. However, recent study by Zhao, Finlay and Kneafsey (2014) found that the use of GI for China's agri-food products has been somewhat problematic. There have been reports on scandals related to the use of GI making the scheme questionable. It was found that the establishment of the GI network in China was a scheme that was pushed by the government to increase the income of farmers and rural communities. Unfortunately, to keep up with that intention, China's GIs for Gannan navel oranges; Nanfeng mandarins; and Wuyuan green tea are characterised by low or basic standards, inappropriate issuance of GI and weak quality audits by the government. As stated before, the success of GI implementation and how it impacts development differ from one country to another. There are three factors that contribute to the success of GI for Comté cheese in France. These factors are: "(1) a strong sense of leadership, (2) a collective vision oriented around sustainability and quality, and (3) an organisational process that is perceived to be fair and representative of all supply-chain actors" (Bowen, 2010, p. 229). These factors however, were not observed in the implementation of GI in China's agri-food industry studied by Zhao, Finlay and Kneafsey.

Based on the above case studies, we can see that the developmental impacts of GI vary from one country to another. Hughes (2009) argued that GI effects may often be small or non-existent and claims of the success of GI are reported over and over again in the literature. There is little empirical data on the economic impact of GI legal protection, and that the available empirical data has mostly focused on the sale of GI products of developed countries to consumers in developed countries. To date, there is still little evidence to support the developmental impacts of GI from developing countries.

2.4 Ethical Value Chains in the Indonesian Agricultural Context

Indonesia is a country that would benefit from the adoption of ethical value chains, especially for the country's agricultural commodities. Indonesia is the fourth most populous country in the world, with a population of 252 million and gross

national income per capita of \$3,524 (World Bank, 2015). Indonesia's agricultural sector makes up around 15% of the country's economy (World Bank, 2012), with the sector being an important source of livelihood for people living in rural areas (Skoufias, Katayama, & Essama-Nssah, 2012). However, the concept of ethical value chains is still not commonly practiced in the country and is only slowly being embraced. Ethical certifications such as fair trade and GI are still scarce due to a number of reasons. Yusida and Suwondo (2014) stated that some of the reasons behind the unpopularity of fair trade include: lack of information for farmer, lack of public awareness, and middlemen problems. Considering the vast number of agro-export commodities in Indonesia, it is surprising that when ethical value chains are actually adopted, it has only been adopted for a few commodities. There is also a limited amount of research in the area, with the studies found during the review of the literature focusing primarily on commodities such as fair trade and GI for coffee (Neilson, 2008; Arifin, 2013; Mawardi, 2009), cocoa (Arifin, 2013), and pepper (Durand & Fournier, 2015).

Compared to fair trade and GI, organic agriculture is perhaps the one that has been more widely practiced in Indonesia. According to David and Ardiansyah (2016), the organic movement in Indonesia began in the early 1970s in response to the Government of Indonesia's (GoI) 'Green Revolution' campaign, when Wahana Lingkungan Hidup (WALHI), an environmental NGO, protested the excessive use of chemical input in agriculture which characterised the government's campaign. Following that, Bina Sarana Bakti, a foundation dedicated to natural farming was established in 1984 (Ariesusanty, 2011). This foundation is known as the pioneer of organic agriculture in Indonesia. Ariesusanty further noted that in 1992, Aceh Gayo coffee became the first certified organic product in Indonesia. This was later followed by the establishment of the national network of organic agriculture (Jaker-PO) in 1998 and the Indonesia Organic Alliance (AOI) in 2002. Currently, AOI has over 100 members, comprised of 79 organisations and 39 individuals from 20 provinces in Indonesia (AOI, 2012).

There has been support coming from the GoI in regards to the implementation of organic agriculture. The support from the government was evident in the

establishment of the National Standard (SNI) for Organic Food No. 01-6729-2002 in 2002, which today is on its third revision (David & Ardiansyah, 2016). Certified Indonesian organic products may bear the “Organik Indonesia” logo (Figure 1) providing they comply with the production standards and are certified by the authorised certifying bodies.

Figure 1 "Organik Indonesia" logo



(Source: Eka Farm, 2016)

Furthermore, in 2001 the GoI launched an ambitious programme called “Go Organic 2010”. This programme aimed to promote organic agriculture and to make Indonesia one of the biggest organic exporters in the world by 2010 (Prajanti & Soesilowati, 2012). The programme, however, failed to achieve its main objectives due to poor management. Khudori (2014) stated that there was a lack of commitment in regards to the implementation of the Go Organic 2010 programme at that time, considering the only concrete action taken by the government was to provide subsidy in the form of organic fertilisers. In a case study of the Go Organic 2010 programme implementation in Semarang, Central Java, differing views on managerial issues between that of the farmers and the government and the private sector was said to be a challenge that was encountered during the programme implementation (Prajanti & Soesilowati, 2012). Nonetheless, some positive impacts were noted following Go Organic 2010. Increased consumer awareness of organic products, increased demands for organic food, expanded certified organic land and increased numbers of organic producers and traders were some of the positive impacts noted following Go Organic 2010 (Sulaeman, 2012).

Despite not being a popular predilection, the objectives of the adoption of ethical value chains for certain commodities in Indonesia are akin to those of others globally. Value chains actors adopt ethical certifications and standards in order to improve product competitiveness (Mawardi, 2009; Arifin, 2013). In the case of GI for Arabica Kintamani Coffee from Bali, it is also adopted as a means of legal protection (Mawardi, 2009). Furthermore, the adoption of the ethical certifications and standard such as GI protection, organic certification, and Fairtrade, has had some positive impacts on the respective value chains. The GI protection of Arabica Kintamani Coffee has increased its reputation, placing the coffee in the specialty coffee class and as a result buyers have started paying a premium price for the commodity (Mawardi, 2009; Durand & Fournier, 2015). It has also prompted a restructuring in the Indonesian smallholder coffee systems, with prioritisation of farmers' cooperatives over the traditional structure, signifying integration at the upstream level (Neilson, 2008). Rural development impacts have also been observed in the case of GI for Kintamani Coffee, with infrastructure such as village roads, processing units and electricity being developed by the government as a means to promote coffee agro-tourism in Bali (Mawardi, 2009).

As seen in other cases, adoption of ethical value chains in Indonesia also has its challenges. One of the most significant challenges is the issue of governance, as seen in the case of GI for Muntok White Pepper (Durand & Fournier, 2015). The process of getting GI for Muntok White Pepper was done through poor consultation processes and minimum involvement of the relevant stakeholders. This case was an example of a top-down process where the local government agencies were not fully informed of and involved in the process. Another challenge was related to public awareness of the significance of ethical standards, resulting in low demand and unwillingness to pay for products bearing such standards (Arifin, 2013; Yusida & Suwondo, 2014). Lastly, due to the high cost of certification, rights to certifications are usually held by exporters who carry the costs and as a result, more farmers are now engaged in contract farming. This highlights the issue of who will benefit from product differentiation and how to ensure that benefits are actually enjoyed by the intended beneficiaries. The studies on adoption of ethical value chains in Indonesia also

highlight the importance of intermediaries such as NGOs and academics or research institutions (Mawardi, 2009; Arifin, 2013). These institutions are acknowledged as important agents to help ensure transparency, implementation of sustainability principles, and facilitators of capacity building and public awareness raising. It was also stated that intermediaries play a role in providing links to external buyers and absorbing transaction costs.

2.5 Chapter Summary

In this chapter, I have discussed the analytical framework that informs my thesis, namely the value chains framework. I have also discussed the three ethical concepts that stemmed from the value chains framework, namely fair trade, organic agriculture and geographical indications. Their application in the agricultural sector and their academic implications were also discussed in this chapter. Lastly, this chapter also provided an overview on how ethical value chains have been exercised in the general agricultural context of Indonesia. Consequently, this chapter serves as an important foundation for the analyses that will be presented in the chapters that follow.

CHAPTER 3

METHODOLOGY

3.1 Introduction

This chapter describes the details of the methodology that I used in order to answer my research questions and to achieve my research objective. I will start by describing the research location and explaining the rationale for selecting this location. I then continue with a discussion regarding my research design, with reference to my data collection methodologies and with a description of the participants involved. I also discuss my positionality and how it fits within the context of this research. I conclude this chapter with a reflection on my data collection process and on the challenges I encountered in the field.

3.2 Research Location

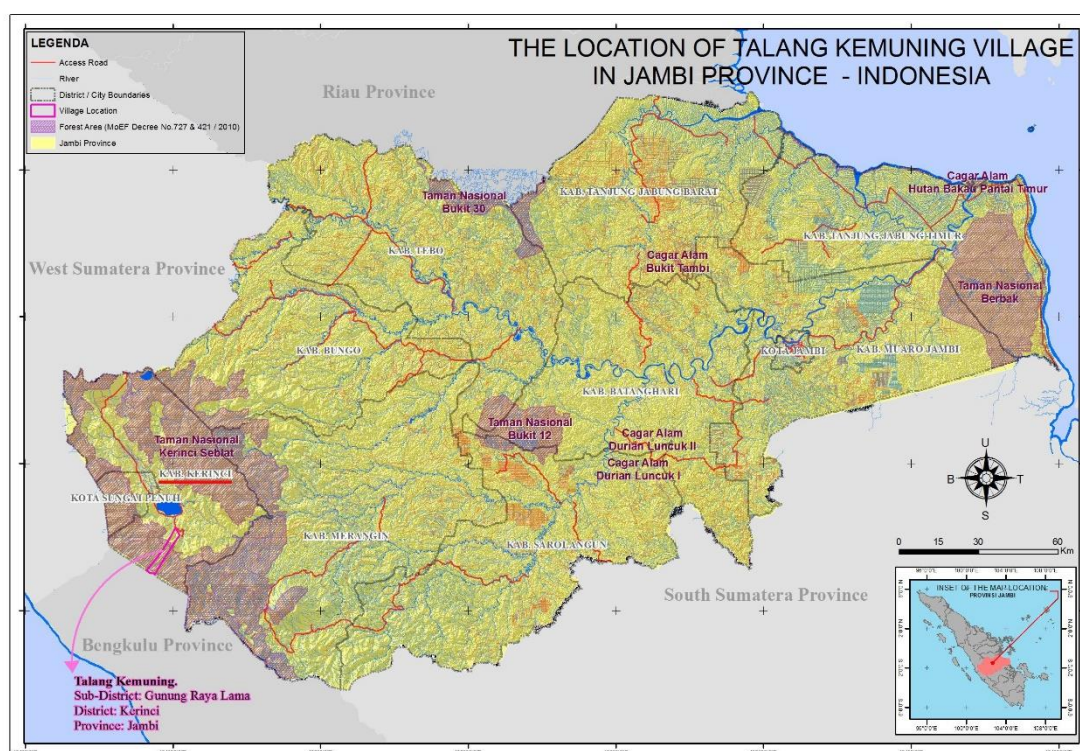
Kerinci is a highland at an altitude of between 500 and 1,500 metres above sea level. This region is located within the Bukit Barisan Mountain Range, which includes the highest volcano in Sumatra, Mount Kerinci (3805 m). More than half of Kerinci, or an area of 1990.89km² (BPS Kerinci, 2016), forms part of the Kerinci Seblat National Park (KSNP). The Ministry of Forestry in Indonesia promulgated the KSNP as a national park in recognition that it serves as the habitat of the endangered Sumatran Tiger and as a vast source of water and natural biodiversity for the people in the surrounding areas (Dephut, 2010). This park is also listed as part of the UNESCO Tropical Rainforest Heritage of Sumatera (UNESCO, 2004).

I chose Kerinci district as the primary location for my research because the region is the centre of cinnamon production in Indonesia (Wangsa & Nuryati, 2007). Covering an area of 3,808.50km² (BPS Kerinci, 2016), Kerinci is the smallest district of Jambi Province. It is located almost 400km from Jambi City, the capital of the province, and is accessible by land and air transportation. Under normal conditions, a journey from Jambi City to Kerinci takes around 10 hours by car. However, when the road conditions are bad, it can sometimes take up to 12 hours, depending on the time of the day. A flight from Jambi to Kerinci, or vice versa, however, only takes 50 minutes. Although much more convenient, there are only three flights per week

going to and from Kerinci. Consequently, road travel is still the preferred mode of transport for most people in Kerinci.

The remote location of the district, its mountainous terrain, and the National Park status of over half its area create some unique development challenges for Kerinci. These challenges include poorly developed infrastructure, poor access to ports that connect the district to other parts of Indonesia, and the ever-present competition between development and conservation endeavours. During my initial investigation into the location and cinnamon farming in the area, I learned that a group of cinnamon farmers has adopted ethical value chains for their commodity. This made Kerinci the ideal location for my fieldwork.

Figure 2 Map of Kerinci District, Jambi Province, Indonesia



(Source: Badan Pengelola REDD+, 2015)

For the duration of my stay in Kerinci, I based myself in Talang Kemuning, a village located approximately 40km, or a one hour drive, from the centre of the district. Talang Kemuning is primarily a cinnamon farming community, with almost every household owning at least a block of rice paddy or dry land which they use for the cultivation of cinnamon or other cash crops. I gained access to this village and to

the farming community through assistance provided by Mitra Aksi, a local Civil Society Organisation (CSO) in Jambi that conducted an agricultural capacity building programme in the community in the period from 2013 to 2015. The role of this CSO will be discussed further in the findings section.

3.3 Research Design

This research utilises case study methods, with a community of Indonesian cinnamon farmers forming the case study for the research. Case studies are ideal for in-depth and holistic investigations (Feagin, Orum & Sjoberg, 1991 in Tellis, 1997), making this approach ideal for this research. Case studies enable researchers not only to consider the voice and perspectives of the actors, but also the voice and perspectives of relevant groups of actors and how they interact between them. I utilised three data collection methodologies for this case study. In particular, I conducted semi-structured interviews and field observations and I also collected information from secondary resources. The details of each data collection methodology are described below.

3.3.1 Semi-Structured Interviews

I used semi-structured interviews to collect information from farmers and other relevant actors, such as the village head, buyers and NGO workers. This kind of qualitative interview is intended to elicit the views and opinions of the participants (Creswell, 2009). I utilised two sets of interview questions: I used one set for interviews with farmers and the other for interviews with non-farmer subjects. I asked the interviewees questions related to their involvement in cinnamon farming, trading and farmers' organisation. The lists of questions are included in the appendix. I conducted the interviews in an informal setting to ensure that my research participants would feel at ease and would therefore be more likely to answer my questions truthfully. All interviews were conducted in Indonesian and all the interview quotations that I will provide in chapters that follow are 'accurate English translations' of the interviews.

3.3.2 Field Observations

In conducting the field observations, I positioned myself as 'observer as participant' to allow myself to observe the participants' day-to-day agricultural

practices. As an 'observer as participant', the role of the researcher is known; information can be recorded as it occurs; and unusual aspects might also surface and therefore be recorded (Creswell, 2009). I observed events including the cinnamon harvesting process, the post-harvest procedures at farmers' residences, the day-to-day activities of farmers in the warehouse, where the processing took place, as well as the external auditing procedure which formed part of organic certification process.

3.3.3 Secondary Resources

I conducted a review of relevant secondary resources prior to and after my fieldwork. Prior to my fieldwork, I conducted a review to gain a better understanding of topics and issues related to value chains and cinnamon farming and trading. The review I conducted after my fieldwork involved a thorough examination of documents that I obtained during or after the data collection process in the field. This post-fieldwork review was useful as a means to cross check and confirm the findings from my interviews and observations. I reviewed documents including previous academic research papers, policy documents, official reports, news articles and statistics. Considering the topic of my thesis and location of study, these secondary resources included a number of documents that were only available in Indonesian.

3.4 Participants

I conducted semi-structured interviews with informants who played a number of different roles in the community. The wide range of sources was a deliberate measure to obtain a range of different perspectives on issues related to cinnamon farming, trading and its value chains. Participants in this study included five farmers, six officials of the farmers' organisation (three of them were also active farmers), one local authority, two NGO/CSO representatives and two buyers (Table 2).

I selected the participants through a "snowballing" technique. My host family provided valuable assistance in referring me to potential interview subjects. The fact that this family is quite well respected in the village played an important role throughout my data collection process in the village. It helped me to approach the farmers and to gain access to the farmers' organisation. I also identified additional participants during my observation activities. I provided all participants with an information sheet and a consent form for them to sign. A sample of each document

is included in the appendix. I conducted most of the interviews in Kerinci. However due to my subjects' availability, I conducted my last two interviews (External Buyer and one CSO Representative) in Jakarta.

Table 2 Number of Interview Participants

Interview Participants	Number	Identified as
Farmers	5	Farmer #
Farmers' Organisation Officials	6	Official #
Local Authority	1	Authority
NGO/CSO Representatives	2	NGO Representative #
Local Buyer	1	Buyer 1
External Buyer/Exporter	1	Buyer 2
Total Participants	16	

3.5 Being a 'Foreigner' in My Own Country: Positionality and Reflexivity

"So much about what it means to be human is so implicit that we often don't realise it until we encounter other cultures, which makes us think of our position..."

(Dr Eleanor Sanderson at "The Human in Question: A Conversation"
Public Talk, 28 July 2016)

Gregory, Johnston, Pratt, Watts, and Whatmore, (2009) define positionality as a researcher's social, cultural and subject position, which may affect the research process. Although the issue of a researcher's positionality would be most significant when the researcher is a foreigner, according to Murray and Overton (2003) 'foreignness' lies in a continuum that is influenced by many different factors. People doing research in their own countries may still be affected by issues related to differences in power relations stemming from gender, educational level, cultural and religious values (Merriam et al., 2001). Marshall and Rossman (2006) stress the need for researchers to acknowledge their positionality and to be transparent about their research process because their positionality would likely bias their research.

Considering the influence that my positionality has on the way I conduct my study and analyse my findings, I therefore intend to describe my position in the hope that it could mitigate the potential biases. I am a 31 year-old Indonesian woman born into an urban, middle-class family. I am a Catholic and so are my immediate family members and most of my relatives, with Catholics forming a very small and distinct minority group within the broader Indonesian population. I went to Catholic primary and secondary schools and studied abroad at the tertiary level. I was born in Jakarta and have spent most of my life studying and working in the city. My family is of the Javanese ethnic group, with my ancestors originating from Central Java, with this group having its own distinct culture, which varies considerably from that of the non-Javanese groups from the so-called “outer islands”. Undeniably, this background shapes my worldview and the manner in which I approach my work. In the context of a rural village located off Java and consisting almost exclusively of Muslims, my background would be regarded by my informants as privileged, urban, and cosmopolitan.

I consider myself quite an experienced traveller. Professionally, I have worked in the development sector for a number of years before pursuing postgraduate study. I have visited different parts of Indonesia for work missions, including some rural parts of Java, Sumatra, Kalimantan, Sulawesi and Papua. Despite my previous experiences, I undeniably felt some degree of personal anxiety regarding my reception by my informants prior to my fieldwork.

There were a number of reasons for this anxiety. I described the causes for this anxiety in my journal entry on 6 May 2016:

1. *“Even though I have travelled to different parts of Indonesia, I have never been to Jambi, let alone (lived in) Kerinci.*
2. *Kerinci is very remote, it is 9 hours drive from Jambi (later addition: No, apparently it was 12 hours).*
3. *I have no affiliation whatsoever with anyone there.*
4. *While in the past I have been going to these strange places bearing Save the Children or UNDP’s ‘flags’, this time I will come as I am. No back up from any ‘powerful’ organisation. So I’m afraid that people might not accept me the way others had when I used to go on the missions with SC/UNDP.*

5. *Jambi, especially Kerinci is a strange place for me; I am not familiar with the culture. I only know that the majority of them are Malay and Moslem. I have never lived outside Jakarta, in a rural area where I could possibly be the only Christian, and my being a Javanese Catholic might present a challenge. But I'll never know before I actually come and LIVE there."*

While Indonesia's constitution and state ideology recognises six major religions, namely Islam, Catholicism, Protestant Christianity, Hinduism, Buddhism, and Confucianism, the overwhelming majority of the population is Muslim. Over the past decades, there have been a number of religious-based conflicts in various parts of Indonesia. Some of the recent cases resulted in banning and sealing off an Ahmadi mosque in Bekasi, West Java in 2013 (Vaswani, 2013), and the demolition of churches in Aceh in October 2015 (Lamb, 2015). In the more distant past, there have been even more significant cases of conflict, some of which have resulted in a significant number of deaths and the dislocation of communities.

Apart from the matter of religion, Indonesia's population consists of a large number of different ethnic groups, each of which has their own language, customs, and culture. While the most pronounced cases of ethnic animosity have involved discrimination against the Chinese, members of groups outside Java have often perceived the Javanese to be politically and economically dominant. There are also significant differences in terms of the dominant forms of economic activity, with those off Java being more likely to be involved in the production of agricultural commodities intended for export, and with those on Java being more likely to be involved in the rapidly expanding services sector.

As a member of a religious minority, I have always been particularly aware of the differences in religions. This has given me a degree of caution in relating with other people, especially with strangers. This is why point 5 above was actually my most significant concern. I was not sure whether my religion and ethnic background would affect how people in Kerinci accepted me in their community and how I would respond when I was faced with their unfamiliar customs. I was mostly worried that they would have some reservations or even hostility towards me because of these differences.

It turned out that my host family was particularly welcoming and hospitable, and I never felt that my religion was an important issue to them. Although I stayed in Kerinci during Ramadhan, when practising Muslims are required to fast from dawn until sunset and when religious sensitivities are particularly pronounced, my host family did not have any problem with me not fasting, allowing me to cook my own food during the day as long as I did not eat or drink in front of other people. It is also worth noting that this particular family is used to hosting students who are conducting agricultural practicum in the village. Prior to my arrival, there was a group of Christian students from Jambi city who stayed with my host family for 2.5 months, during which time they bonded well. Hosting people from outside the community might have exposed them to different customs and consequently made them more open and tolerant towards outsiders. It should also be noted that they were receiving material compensation for providing lodgings, and therefore had a financial incentive to develop a sense of tolerance. However, even those outside my host's household did not seem to be particularly concerned with my religion and ethnic background. The community was very welcoming and at the same time showed a healthy curiosity about where I was from and what I was doing in their village.

Another difficulty I faced was related to the language of the people of Kerinci. Prior to my visit, I assumed that they would speak Indonesian with some Malay accent, as is the case with the form of Indonesian spoken by Minang people in Padang, West Sumatra. However, from the moment I got on the mini bus that took me to Kerinci, I was dismayed by my unfamiliarity with the language of the local people. While linguistically this language may be considered a form of Malay, from which modern Indonesian is also derived, I could barely catch any similarity with Indonesian in their conversation. While regional variations exist throughout Indonesia, these were more pronounced here than any I had previously encountered. Later, I learned that in their day-to-day conversation, the people of Kerinci speak a dialect known as Kerinci Malay, a variety of Malay with its own unique morphological properties which varies slightly from one village to another (McKinnon, Cole, & Hermon, 2011).

With all those marked differences, there was very little I could do in order to blend in with the community. The least I could do was to dress considerably more modestly than would be customary in my social and family circles in Jakarta. Although I did not feel obliged to wear a headscarf, I made sure that my clothes were not too tight or revealing and I avoided wearing any jewellery. On the first evening, I asked my host to accompany me to see the Village Head. My aim was to formally introduce myself, to let him know about my presence in his village and to ask for his permission to conduct my research. He was very welcoming and was pleased to learn that, as an Indonesian student studying abroad, I had selected Kerinci as the site for my research.

3.6 Broader Reflection on My Fieldwork and Challenges in the Field

"In spite of commonalities, I was just as much the other to my informants as they were to me."

(Chacko, 2004, p. 60)

In this section, I attempt to describe some of the challenges that I faced during my data collection in the field. Despite the fact that I conducted my research in my home country, I faced a number of challenges that may not have been dissimilar to the challenges that my New Zealand colleagues would have faced during their overseas fieldwork. As a novice researcher, throughout my fieldwork, I keep reflecting back to a section in the work of Murray and Overton (2003), in which Murray discussed the challenges he faced and the flexibility that was required during his fieldwork in Chile.

3.6.1 Same Nationality, Different Tongues: Language Barrier

Even though Indonesian is the national language in Indonesia and everyone is able to speak it, Kerinci people use Kerinci Malay for their day-to-day conversation. At the beginning of my trip, it presented a challenge for me, which somehow resulted in me being dropped off in the middle of the road by my bus driver.

After a rough 12 hour road journey on a non-airconditioned mini bus whose driver smoked for the entire trip, we finally entered Kerinci district. It was 5.30 am and the sky was still pitch dark. At one point the vehicle stopped and the driver said something that I could not comprehend. He was speaking in Kerinci Malay and was

asking which one of us passengers was going to Talang Kemuning. I told him I did not understand what he was saying and asked him to repeat what he said in Indonesian. He told me that he could not take me to my village because I was the only one going there and that I had to get off where we were. In panic, I called my host family and told him what happened and asked him to speak to the driver, in hopes that he would explain that I was promised a ride directly to my village. In the end I had to get off the bus in the middle of the road and sit in front of someone's shop for almost an hour before I finally got someone to take me to my village on his motorbike.

In the first few days after my arrival, I visited the cinnamon warehouse to familiarise myself with my potential interview subjects. I would sit with the women and listen to their conversation, despite only having a very limited ability to understand what they were saying. While my subjects would have studied formal Indonesian at school and would have a certain level of familiarity with the formal version of the language through exposure to the media and to bureaucratic communications, the level of this familiarity would vary with the educational level of the particular informant and with the extent of their interactions with those from other regions. This made me consider the impact this issue might have on my interviews. All my interviews were conducted in formal Indonesian, with my informants being required to respond in the same language. Due to the limitations of their familiarity with formal Indonesian, I could sense some reservation from my interview subjects. There were also moments when my subjects did not understand what I was asking so I had to rephrase my questions, often deliberately simplifying the language I used. After more intensive interaction with my host family and the community, I started to learn a little bit about the language and by the third week I was able to use some Kerinci Malay words in my conversation.

3.6.2 Remote Village, Power Cut and Compromise

Talang Kemuning is a small village, remote even by the standards of the region. There is a long stretch of dirt road that divides the village into two sides. People's houses and farms are located on either side of this road and infrastructure is very limited in the village. Parts of the road are in extremely poor condition as a result of bad drainage. The road is positioned lower than the rice paddies that are located on

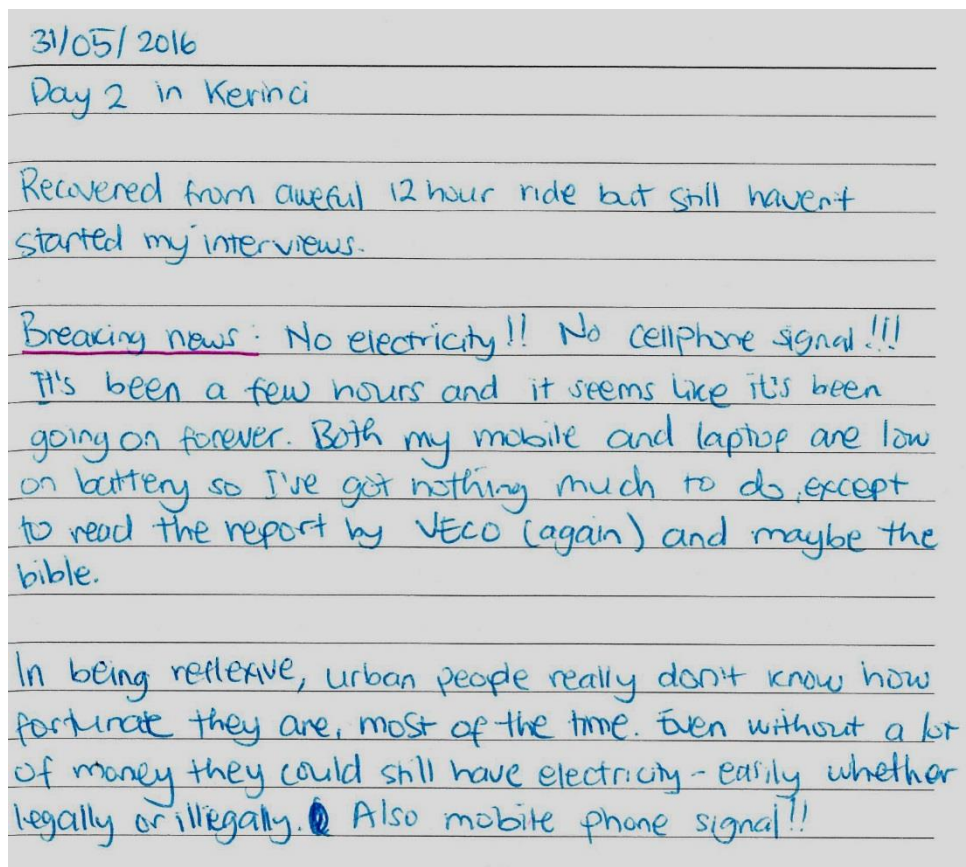
the sides of the road. There is no public transport operating in the village. Most people use their motorbikes as their mode of transport, with only a small proportion of the more affluent members of the community owning cars. My mobility was very limited for the first week of my stay. I cannot drive a motorbike and did not have access to one at that time. This meant that I was limited to conducting my interviews and observations among subjects present in Talang Kemuning itself. I found myself becoming reliant on the people who worked at the warehouse to take me to my interview subjects, while at the same time feeling bad for asking them because it meant that I had to interrupt their work. At some point I felt rather frustrated because I could not conduct as many interviews as I had planned to. I started to question myself and to feel some anxiety regarding the effectiveness of my fieldwork. After a few days, I casually mentioned my frustration and the need to have someone to take me around and out of Talang Kemuning to one of the workers. It was then that she offered to drive me around on her motorbike. This kind offer made it possible for me to expand the area in which I conducted my activities and boosted my confidence and belief in the process.

As mentioned earlier, infrastructure in this village was very limited. There were no landline phones and mobile phone signal was patchy. On the second day, we experienced a power cut which lasted for more than two hours. Not only did we not have electricity, we also lost our mobile phone signal after one hour because the cell tower was also reliant on the electricity. During this power cut I realised that both my mobile phone and laptop had less than 20% power left. Later, I learned that power blackouts were a common occurrence in the village. In fact, these blackouts were a daily occurrence: on almost every single day during my stay in the village, power failures occurred for at least an hour during the day or evening. Most households, including my host family, owned diesel power generators which they used in the evening for lighting and other essential purposes.

The power blackouts occurred during a stage where I was in a particularly fragile state of mind regarding my fieldwork. I felt frustrated because I could not do any reading and writing using my laptop and I was out of touch with my friends and family in Jakarta, the only people who could comfort me at that time. I also wondered

if I would be able to get through the whole month staying in this village if the power cuts and signal loss were going to occur every day. However, these periods provided me with some time for self-reflection, which made me realise how dependent I was on modern technology. Furthermore, I also realised that the only way I would make things work for myself was for me to learn to rely less on my mobile phone and laptop and to be present where I was and connect more with the people around me.

Figure 3 Journal entry, dated 31 May 2016



(Source: Author, 2016)

3.6.3 Ethical Requirements

As with most reputable educational institutions, Victoria University places a significant emphasis on the need for researchers to obtain ethics approval prior to data collection. Part of the process for obtaining this approval was to submit interview questions and a participant information sheet and consent form. Although I made every sincere effort to communicate my research objectives to my interview participants, there were times when the participant information sheet and requirement to obtain a signed consent form became a significant hindrance. Many

members of Indonesia's rural communities have significant concerns regarding signing documents that may have legal implications, particularly when the person presenting the document is not well known to them. Thus, some of my participants were hesitant to sign the consent form for fear that it was some kind of legally binding document that might have negative implications for them. I often had to negotiate and provide lengthy reassurances before they signed the consent form, explaining that it was only a requirement from my university to show that they were willing to be interviewed and recorded without pressure from anyone. To overcome these obstacles, I sometimes replaced the use of a signed consent form with verbal statements recorded on a voice recorder in cases where my informants were illiterate or not willing to sign the form.

3.6.4 Time: A Limitation and an Advantage

I conducted the data collection process in the period from the end of May to the last week of June 2016. Thus, I spent a total of four weeks in Kerinci. I was constrained to that timeframe because I conducted my data collection during Ramadhan, which ended with *Idul Fitri* in the first week of July. *Idul Fitri* is a national holiday and people usually take leave a week prior to the day, with the holiday continuing for up to two weeks following this date. This was also the case for people in Kerinci. The community would start preparing for the holiday a week before it officially started and my presence would be an unwelcome interference and disruption to their preparation activities. Moreover, it would have been even more challenging to find interview subjects during this period. I considered this a limitation because as things unfolded, four weeks was a very short time for data collection. I felt that I could have achieved more had I spent more time in the field.

On the other hand, the timing of my fieldwork, despite being short, proved to be an advantage for my research in general. During the second week of my fieldwork I had the opportunity to observe the external auditing process of organic certification. This was a rare opportunity and certainly one that I had not expected to experience. It allowed me to learn about the organic certification process, with my observations certainly enriching my research. The procedure will be discussed in further detail in the findings chapter.

3.7 Chapter Summary

In this chapter, I have discussed the selection of my research location, and the research design and methodologies that I used to answer my research questions and to achieve my research objective. I have also discussed my positionality and how it might have affected the data collection and analysis processes. I also presented reflections on the data collection process and described some of the challenges that I faced during this process. I believed that unfolding the methodologies and challenges I faced in this study would provide me with a solid foundation to proceed with presenting my findings and analysis. I also hoped that the discussion in this chapter would be useful for future researchers hoping to conduct research on similar topics or in similar settings.

CHAPTER 4

KERINCI CINNAMON: SPICE COMMODITY AND RURAL DEVELOPMENT IN KERINCI

4.1 Introduction

In this chapter I transition into discussing spice commodities and their relation to rural development in Kerinci. There are two main sections in this chapter. The first section discusses Kerinci cinnamon as a spice commodity, with particular attention given to the history of the spice trade in Indonesia, the cultivation of the spice and its contribution to the local economy. The second main section discusses issues related to rural development in Kerinci, particularly how it has been influenced by local customs. The challenges and opportunities of rural development in Kerinci are also discussed in the second section.

4.2 Kerinci Cinnamon as a Spice Commodity

4.2.1 Colonialism and the Spice Trade in Indonesia

The history of the spice trade in Indonesia has been closely linked to the history of colonialism in the region. Spices, after all, were what had drawn traders, especially from Europe, to the archipelago. Brown (2003) noted that the 15th century marked the blossoming of the international spice trade in Indonesia, at that time known as Nusantara, with the increasing demands of Maluku spices from its two biggest markets, namely China and Europe. Meanwhile, in Sumatra, the main spice commodity traded during this period was black pepper. Initially, local traders imported pepper from India and sold them to Chinese and European buyers at the port. Following the increased demands for black pepper from these markets, the people in Sumatra began cultivating the spice in their own land and before long Sumatra became a prominent producer of black pepper and direct trading links were established with foreign buyers.

The trade relations with traders from south Asia and China brought about with it religious influence, particularly Islam, to Indonesia. Following their thriving trade relations many Indonesian traders who were predominantly Buddhist converted to Islam, and this inevitably made their trade relations with south Asian and Chinese

traders stronger (Brown, 2003). To the Indonesian traders, their conversion to Islam provided them with commercial as well as spiritual benefits. However, Brown also noted that European merchants and political leaders were dismayed by the fact that the Indonesian spices trade links with Europe were dominated by Muslim intermediaries. This later prompted them to begin a journey to Asia in search of the source of spices and later to colonise the Indonesian archipelago and the neighbouring regions.

Although started by the Portuguese in the early 1500s, followed by the British with their British East India Company at the beginning of the 1600s, the European imperialism in the Indonesian archipelago culminated in the Dutch colonisation of Indonesia which lasted for well over three centuries. Headquartered in Amsterdam, in the year 1619 the Dutch East India Company, popularly known in the Indonesian context as VOC (*Vereenigde Oost-Indische Compagnie*), established a capital in the port city of Batavia, a city known today as Jakarta (Vickers, 2013). Batavia became the centre of VOC's trading network in Asia and from this point on and for the next 200 years VOC monopolised the spice trade in the region (Vickers, 2013), and successfully took over the positions of their rivals, namely the British and the Portuguese, on top of eradicating the home-grown Indonesian traders (Meilink-Roelofs, 2016). Although the arrival of the Dutch in Indonesia was prompted by business intentions, by the time VOC was defunct in 1800 the Dutch already had many parts of Indonesia, such as Java, Sumatra, Maluku, Sulawesi and Timor, under their control, and continued to magnify their power around the region through a series of wars (Vickers, 2013).

Unlike other Indonesian spice commodities, there is almost virtually no resource that specifically focused on the history of cinnamon cultivation in Kerinci. This inevitably makes the history of cinnamon cultivation and trade in the district rather unclear. There are, however, some short discussions on Kerinci cinnamon in the few papers that have focused on cinnamon agroforestry (Wibowo, 1999; Suyanto, Tomich, & Otsuka, 2007). These papers noted that the cultivation of Kerinci cinnamon began in the early 19th century, during the Dutch colonial era. Suyanto et al. (2007) noted that the cinnamon species that were growing in Kerinci were native

to Kerinci and traditionally harvested from the forest along the Bukit Barisan mountain range. Meanwhile, Wibobo (1999) suggests that the Dutch colonial administration endorsed this traditional harvesting in order to meet European demands of the spice. Following road development by the Dutch administration and population growth in Kerinci, people began cultivating the cinnamon in their fallowed swidden (Suyanto et al., 2007). Cinnamon is now the major crop in Kerinci and the majority of farmers cultivating this spice are smallholders.

4.2.2 Kerinci Cinnamon: Cultivation and Production

Taxonomically, Kerinci cinnamon species are different from the species that are native to Sri Lanka (*Cinnamomum zeylanicum*), commonly known as Ceylon cinnamon or true cinnamon (Babu & Ravindran, 2003), although they both belong to the same genus (*Cinnamomum*). The cinnamon species that natively grows in Kerinci (*Cinnamomum burmannii*) is also known as *cassia cinnamon* or *cassiavera* (Hasanah et al., 2003). In the Indonesian language, the spice is called *kayu manis* (sweet wood), while in the local Kerinci term, it is called *kulit manis* (sweet skin/bark), names that are derived from the sweet aroma of the spice. For the purpose of this thesis, the term 'Kerinci cinnamon' will be used. From this point forward, unless otherwise stated, any mention of 'cinnamon' would specifically refer to the species *C. burmannii*.

Kerinci cinnamon plants have young red leaves and are cultivated in the highlands of Kerinci district (Hasanah et al., 2003). To yield a good quality harvest, the plants need to grow on light, rich sandy loam soil, such as the andosol, latosol and organosol types of soil (Hasanah et al., 2003). At higher altitudes, the cinnamon trees grow slower but produce thicker and better quality bark than those growing at lower altitudes. Furthermore, Wikardi et al. noted that the cultivation process of Kerinci cinnamon is similar to that of Ceylon cinnamon. The process starts with seeding at the nursery, farm preparation, planting and maintenance (MPIG-K2J, 2015). During this maintenance phase is when farmers usually do intercropping, up until the cinnamon plants are around four or five years of age. Pruning of cinnamon trees is usually done when a tree is around seven to ten years old. This is done to give space for the plants to grow more optimally. During this maintenance phase, farmers

also use pesticides (insecticides, herbicides, and fungicides) to control pests that might disrupt the growth of the plants.

Figure 4 Red leaves seen on a young Kerinci cinnamon tree



(Source: Author, 2016)

Although the cultivation method is similar to Ceylon cinnamon, Kerinci cinnamon is harvested and processed differently. Harvesting conditions and methods of production often determine the quality of cinnamon (Senanayake & Wijesekera, 2003). As a perennial crop there are usually two harvesting methods. The first one is done just before the trees reach 10 years of age (MPIG-K2J, 2015). The first method is called *santangan* in local terms, which is done by peeling the bark of the tree. When the young red leaves are present, such as seen in Figure 4 above, or the plants are flowering, low peeling can be done by extracting the bark of around 2-3 cm wide. However, during this time, farmers rarely harvest their cinnamon as the bark is rather difficult to peel. High peeling is done when the plants are not in the flowering period. Since it would be easier to peel the bark at this time, farmers extract a wider area of

around 7-8 cm in width and 80-100 cm in length. The second method of harvesting, called *tebang habis* is usually done when the plants are over 10 years old, and it involves cutting down the whole tree, followed by peeling the bark, such as seen in Figure 5 below. The bark of a tree that is between 10-15 years old is used to make cinnamon sticks, while the older trees usually produce thicker cinnamon bark of higher quality. This process is then followed by scraping the bark to clean the outer layer of the skin.

Figure 5 Ongoing harvesting process at a cinnamon farm in Kerinci



(Source: Author, 2016)

The post-harvest processing methods of cinnamon differ according to the age of the tree and the final use of the product (MPIG-K2J, 2015). If the tree is 10 years or younger, the bark would be used to make sticks. For this purpose, each bark sheet will be cut into 2.5 cm in width. Meanwhile, if the bark comes from a tree that is over 15 years old, they will be made into quills so they do not need to be cut into smaller widths. This process is followed by washing and soaking the bark for around 12 hours to remove dirt and scraps from the bark. After that comes the sun-drying process. All bark needs to be dried under direct sunlight; a process that usually takes around 3-4 days. To maintain cleanliness, farmers need to line the ground with tarp sheets so

that the bark does not come into direct contact with the ground. During this drying process, the bark curls up into quills and turns reddish brown in colour. Dried cinnamon quills or sticks ideally have a water content of 10-14%. The cinnamon is then sorted according to their grades, which depends on a number of factors, such as: type (scraped, un-scraped, quills, sticks, and chips), appearance, and volatile oil. In the case of making cinnamon sticks, the long sticks are cut using an electrical saw according to the required length and then sorted further to prepare for storage and packaging.

4.2.3 Economic Contribution of Kerinci Cinnamon

The role of Indonesia in the global cinnamon markets is vital. The country's cinnamon export contributes to 66% of the world's cinnamon supply (Iskandar et al., 2012). Consequently, this makes cinnamon an important export commodity for the biggest cinnamon producing area in Indonesia, namely Jambi province. Ardi, Raesi, Evalia, and Paloma (2015) noted that in 2012 alone Kerinci cinnamon was cultivated on an area of 40,962 Ha by almost 13,000 households, with the volume of production reaching 53,632 tonnes. Along with other crops from the plantation sector, export of cinnamon contributes greatly to the GDP of Jambi province. Iskandar et al. (2012) noted that at the third quarter of 2009, the total export value from Jambi's plantation sector reached US\$10,428,811. From the cultivation, harvesting, and post-harvesting processes mentioned above we can see how Kerinci cinnamon is a time-consuming and labour-intensive perennial crop. Therefore, it is inevitable that increasing production of cinnamon from rival countries such as Sri Lanka, Vietnam and China draws concern from cinnamon producers in Indonesia, especially in Kerinci.

4.3 Rural Development in Kerinci

"Myths and legends surrounding the exploits of village ancestors play an important role in rural social life in several important ways... Narratives based on these myths and legends serve to legitimate local claims to and control over the village territory and its resources."

(Neidel, 2006, pp. 15-16)

4.3.1 Adat: The Cultural Aspects of Orang Kerinci

There are varying beliefs about the origin of *orang kerinci* (local term for Kerinci people). Human migration has brought some of their ancestors from Minangkabau in

West Sumatra, while some people believe that their ancestors are indigenous tribes of the Kerinci uplands (Neidel, 2006). Unsurprisingly, the majority of *orang kerinci* still share some similarities in terms of culture and customs to the Minangkabau people. *Orang kerinci* is one of the many Indonesian ethnic groups that still have a strong sense of place and connection with their land. This is partly shown by the endearing term they have for their land, *Bumi Sakti Alam Kerinci* (Pemda Kerinci, 2014b); a term which essentially means 'sacred earth of Kerinci'. Due to their close connection to Minangkabau culture, the society is organised based on the matrilineal systems, and along with the Indonesian national law, their daily life is guided by *adat* or local customary law and practices (Neidel, 2006).

The matrilineal system is manifested in the land inheritance arrangement, in which the women inherit the family's 'heavy properties', or *harta berat*, such as houses, lands or farms, while the men inherit the 'light properties', or *harta ringan*, such as farming equipment and the contents of a farm. Moreover, the land ownership is also influenced by *adat* law. There exists what is called *tanah adat* or customary land, land that is communally owned by several families or a kinship organisation. Through the female members of the family, *tanah adat* may be accessed on a yearly rotational basis, a process locally known as *gilir ganti*. Disputes that happen regarding the social life of *Orang Kerinci*, such as those related to inheritance, land or crime are to be settled using the applicable *adat* law (Pemda Kerinci, 2014b). An example of the imposition of *adat* law was observed during my fieldwork, where a person from the neighbouring village sold part of his *tanah adat* to an external party, without the consent of his kinfolk. As a result, the customary law was imposed on this person. Specifically, he was given a choice to either leave his village or stay in the village but be practically excluded from participation in all *adat* activities or ceremonies such as weddings and funerals (Journal Entry, 5 June 2016).

4.3.2 Development in Rural Kerinci: Challenges and Potential

As a considerably small district, Kerinci has seen numerous shifts throughout its history of development. The most significant development project that has been experienced by the district was the promulgation of Kerinci Seblat National Park (KSNP). KSNP, the second largest conservation area in Indonesia, was officially

gazetted in 1999, marking the end of the seven year process to set its 3,000 km long boundary (Neidel, 2006). This national park spans four provinces, namely West Sumatra, Jambi, Bengkulu and South Sumatra (Dephut, 2010). As discussed in the previous chapter, over half of the area of Kerinci district or 1990.89 km² is designated as part of KSNP (BPS Kerinci, 2016). This promulgation process was a combined effort between the local and national government and international donors, and was aimed to protect biodiversity and put an end to habitat fragmentation (The World Bank, 2003). However, the gazettelement of the national park also had a negative impact on the forest dependent communities. Neidel (2006) argued that the process that was managed by The World Bank under the Kerinci-Seblat Integrated Conservation and Development Project (ICDP) has marginalised certain communities, and even criminalised two village populations as forest encroachers “through an erasure of history in terms of obfuscating alternative claims to resources and landscape modifications as well as a remembrance of a legitimising administrative history” (p. 33).

That being said, any rural development initiatives in Kerinci must take into account the existence of KSNP and the strong and long-standing ties Kerinci people have with their land. In 2007, the Kerinci district faced a high open unemployment rate of over 15,000 people, caused by the decrease in employment in the agricultural sector (Moravia, Barus, & Pribadi, 2009). According to Moravia et al., this happened as a consequence of the limited cultivation area due to the boundary of KSNP and specific land ownership. Their study further recommended the regional development plan to incorporate the agricultural sector, particularly sustainable cinnamon farming and processing, considering the potential that cinnamon trees have as buffer plants in the area surrounding the National Park. The 2014-2019 mid-term development plan of the Kerinci district government has taken into consideration the existence of KSNP and the potential of Kerinci’s agricultural sector. Part of the district government of Kerinci’s development programme aims to increase regional and community income through agriculture, micro, small, and medium enterprises and tourism; to improve and develop the quality and quantity of integrated cross-sectorial

infrastructure; and to improve ecosystem quality based on local resources (Pemda Kerinci, 2014a).

4.4 Chapter Summary

In this chapter I have discussed the history of the spice trade in Indonesia and Kerinci cinnamon as a spice commodity. Its relation to rural development in Kerinci has also been discussed in this chapter. Furthermore, this chapter also described *adat*, or the customs of the Kerinci people, and the strong influence they have in how Kerinci people conduct their daily life, and consequently its influence on the development processes in the region. The explanations presented in this chapter are intended to provide a foundation for interpreting and analysing the findings from this study, which will be presented in the next two chapters.

CHAPTER 5

ETHICAL VALUE CHAINS OF KERINCI CINNAMON

5.1 Introduction

This chapter details the first set of findings from this study, in particular those related to the value chains for Kerinci cinnamon. The chapter is divided into two main sections. The first section discusses conventional value chains, including the nature of these chains, the actors, and the challenges faced by farmers involved with them. The second section discusses the ways the ethical practices have been adopted by a group of farmers and relevant actors in the value chains, signifying the evolution of ethical value chains for this commodity. Particular attention is given to the formation of a farmers' organisation and to the adoption of organic farming and Geographical Indications (GI) protection.

5.2 The Conventional Value Chains

My study confirmed that farmers engage in two common modes of selling cinnamon products in Kerinci, known as *jual bidang* and *jual hasil*. These modes have previously been identified by Ardi, Raesi, Evalia, and Paloma (2015). The first mode involves farmers leasing the whole or a part of the productive assets of their farm to a *toke* or local collector/buyer in their village. This mode is commonly known as *jual bidang*. Although this term literally translates as 'selling the field', with this mode, the farmer merely leases the farm's cinnamon to the buyer, with the land still legally owned by the farmer. This transaction gives the buyer the right to manage the farm until the cinnamon trees are ready to be harvested. The buyer is responsible for all expenses related to harvesting and post-harvest processing of the cinnamon products, including hiring extra labour for barking, scraping, drying and transporting the cinnamon. A *toke* who chooses to buy cinnamon through this mode has the right to cut down trees and use all parts of the cinnamon tree (bark, wood logs, leaves). Normally, they leave stubs for later use by the land owner. Farmers usually choose to utilise this mode when they have urgent needs that substantial funds, such as paying for their children's tuition fees, a wedding, or a funeral. Since the majority of

cinnamon farmers in Kerinci are Muslim, it is also common for people to engage in *jual bidang* to fund their Hajj pilgrimage to Mecca.

Although there the transaction is always subject to negotiation between the farmer and the buyer, a *toke* still has the power to set the price, taking into consideration the harvest-related expenses and their profit margins. Farmers usually agree on the price offered by the *toke* because of their pressing needs for funds. Nevertheless, many farmers prefer this mode of selling because of its convenience. The advantage of this mode of selling for the farmer is that they do not need to worry about the harvest and post-harvest expenses and processes. Moreover, with this mode of selling, farmers are not responsible for storing and transporting their products to the *toke*. Also, as soon as the cinnamon is harvested, full rights to the land are returned to the farmer.

The second mode of selling, commonly known as *jual hasil*, can be translated as ‘selling the crops.’ This mode requires the farmer to manage the crops on their land at all stages, from cultivation through to post-harvest. In this second mode, farmers need to take a number of factors into consideration, such as preparing the farm for harvest, hiring extra labourers for harvesting and post-harvest processing, storing the products and transporting them to the local buyer (*toke*). One NGO representative stated that the costs related to harvesting may account to nearly 30% of the total value of the yield:

“The cost related to harvesting cinnamon may reach 30% of their total gross income. For example, a farmer may yield 10 tonnes per hectare of farm; the harvesting process may cost him 30% of the yield. This is what makes them reluctant to do it themselves”. (NGO representative 1, 2016)

With this mode of selling, a farmer still needs to sell their product to a local buyer. However, they are free to determine the quantity of cinnamon to be sold to the buyer. However, the price of the product is still determined by *toke*. At times, farmers practicing this mode are forced to sell their products at low prices to avoid being required to store their products for too long. These inconveniences, combined with the high cost of harvesting, makes the *jual hasil* mode less favourable for farmers in Kerinci. In the section that follows, key actors involved in the conventional value

chains are identified and described in order to provide a better understanding regarding the functions of each actor and the interactions between them.

5.2.1 Key actors in the conventional value chains

The conventional value chains of Kerinci cinnamon involve many layers of actors. Although each of these actors has their own role in the chains, their bargaining powers are not equal. This section provides a description of each actor and the interaction between the actors. The relationship between them is illustrated in the chart that follows (Figure 6).

Farmer

A farmer is either an individual or a household that owns one or more blocks of land on which cinnamon is cultivated. As is the case for most cinnamon farmers in Kerinci, many of the farmers interviewed for this study stated that they had inherited the land that they own. Furthermore, it is common for an individual to inherit farm land on which cinnamon trees have been growing for many years. As producers, farmers play a vital role in the value chains. However, this does not necessarily mean that they have strong bargaining power in their interactions with other actors in the chains.

Toke

A *toke*, or small collector, is an individual who buys cinnamon products from farmers. *Toke* normally operate at the village level and are residents of the village or sub-district in which they operate. As mentioned earlier in this chapter, there are two modes of buying and selling in which *toke* and farmers engage, namely *jual bidang* and *jual hasil*. Often, the *toke* is the only link between farmers and markets outside of their village. Given this relationship, *toke* often have a monopoly on information regarding cinnamon market conditions, including stock availability and price, giving them a significant degree of control over the farm gate price. Since *toke* typically have access to significant financial resources, they are able to buy cinnamon from a number of farmers at a low price, especially when the farmers are in dire need of money. Ardi et al. (2015) noted that the profit margin of the *toke* in the Kerinci cinnamon value chains is significantly larger than that of any other actor (over 60%). After buying the cinnamon from farmers, *toke* transport the product to the merchant.

Saudagar (merchant)

Saudagar, or a merchant, is an individual or enterprise that buys cinnamon products from *toke*. They usually operate at the district level and collect their supply from the *toke* in various villages within the district. Although not very common, there have been cases where *saudagar* buy cinnamon directly from farmers. Ardi et al. (2015) note that apart from buying cinnamon from *toke*, merchants also engage in a number of other processes, including quality grading, sorting, and storing. After they complete these processes, they transport the product to the exporter.

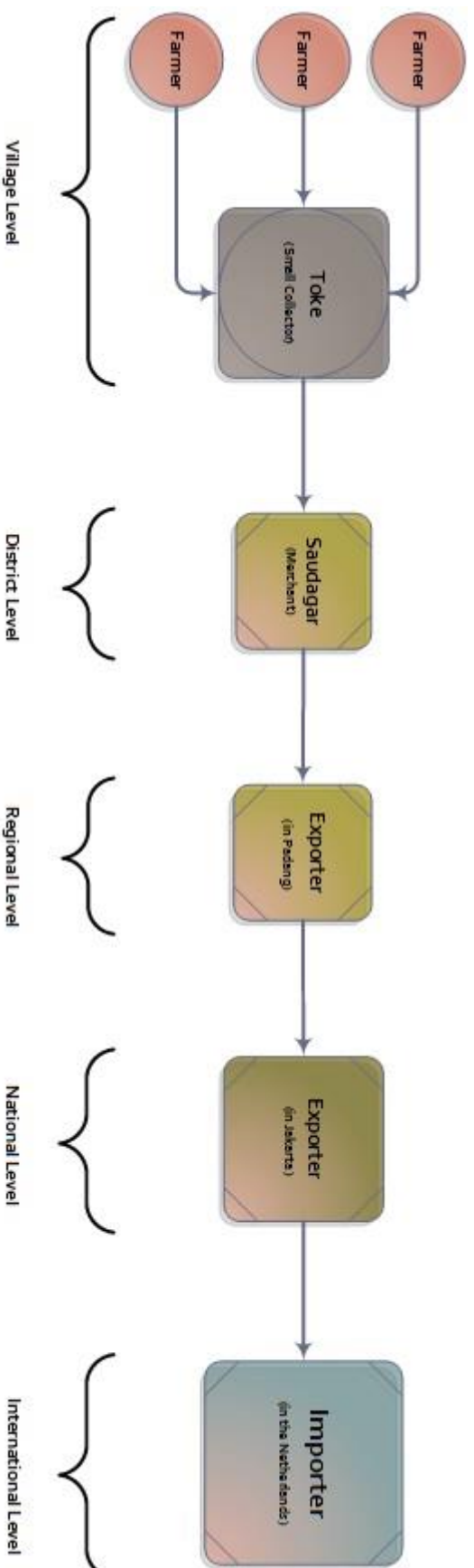
Exporter

An exporter is a company that buys cinnamon from *saudagar* and prepares it for export to another island or country. Exporters are usually based in Padang, West Sumatra, or in Jakarta, the capital city of Indonesia. Padang has a large shipping port, Teluk Bayur Port, which is the hub for incoming and outgoing goods to and from West Sumatra province. Although part of Jambi province, Kerinci district is located adjacent to West Sumatra province. This makes Padang city closer and easier to access from Kerinci than any other port. This is why cinnamon merchants from Kerinci prefer to sell their products to Padang.

After unloading the cinnamon, exporters usually sort their goods according to the demands of international buyers or importers. It is also common for exporters to diversify their cinnamon products, and to conduct processes such as packaging and laboratory testing to meet international standards (Ardi et al., 2015). Since many exporters in Padang are subsidiaries of large exporters from Jakarta, the goods from this port are customarily taken to Jakarta before being shipped to overseas buyers.

Exporters in Padang do not only receive cinnamon from Kerinci, but also from other parts of Sumatra (Padang – West Sumatra and Merangin – Jambi), which is why Kerinci cinnamon is susceptible to fraudulent practices committed by irresponsible parties who either mix Kerinci cinnamon with cinnamon from other areas, or claim that cinnamon derived from other areas comes from Kerinci.

Figure 6 An illustration of relationships between key actors in conventional value chains



Note: This figure provides an illustration of the relationships between key actors in the conventional value chains of Kerinci cinnamon the level at which they operate. The different sizes of the boxes reflect my interpretation of the estimated approximate value generated by each actor.

Importer

An importer is an overseas company that imports cinnamon from Indonesia to meet the needs of markets in their regions. In this case study, the importers were located in the Netherlands, USA, and Singapore. The Dutch importer is engaged in the distribution of goods for the European market; the Singaporean importer distributes these goods to Asian markets; while the American importer distributes them to markets in the USA. Normally, requests for specific grades of cinnamon come from the importer, with these specific grades necessary to meet the needs of consumers. Further investigation into how the value chains operate from the importer to the consumers would have been beneficial but it is beyond the scope of this thesis.

5.2.2 Challenges Faced by Producers

As part of my interviews, I asked my participants about the challenges they have faced in regards to cinnamon farming and trading. The interviewees offered differing perspectives regarding what they considered to be challenges. This could be due to varying perceptions regarding the meaning of the word 'challenge' in formal Indonesian and that of my participants' perceptions. Some participants responded by saying that they never faced any challenges related to cinnamon farming, as in the case of this farmer:

"Well, there is not really a challenge for cinnamon farmers here. The land is readily available; the temperature is suitable for the plants. Since I was a kid, now I'm 46 years old, there has always been cinnamon. You cut down the trees, they will grow back. It has always been that way since I was a kid." (Farmer 5, 2016)

A similar response was provided by one of the farmers' group officials:

"There is no challenge or difficulties. Generally, Kerinci people see cinnamon as an investment. For example, when they have an idle land they would plant cinnamon in it." (Official 3, 2016)

Nevertheless, further inquiry reveals that the two most pressing issues related to the conventional value chains are low farm gate prices and farmers' imperfect knowledge of sustainable practices and international markets, with the latter contributing to the persistence of low farm gate prices.

Low farm-gate price

This study found very few existing resources that provide a comprehensive analysis of cinnamon commodity prices and the factors that influence these, especially as these factors affect Kerinci cinnamon. From a global perspective, it has been suggested that volatility of production and international prices influence the domestic price of cinnamon (Madan & Kannan, 2004; Iskandar et al., 2012). The literature also suggests that the farm gate price of cinnamon depends on the grades of the product, with these grades being determined on the basis of the level of its essential oil (*cinnamaldehyde*) content (Madan & Kannan, 2003; Ardi et al., 2015). Iskandar et al. (2012, p. 293) stated that “domestic price is influenced by the real price at the cinnamon exporter in units of dollars”, while the export price “is more responsive to fluctuation of cinnamon price in world markets.”

Although some participants did not see cinnamon farming and trading as challenging, most of them realise that prices paid by *toke* for their cinnamon are very low. In particular, this was regarded as a serious issue during the early 2000s. In the 1990s, Kerinci cinnamon was regarded as the prime export commodity in Jambi because of its high price at the time. However, from the commencement of the Asian economic crisis in the late 1990s, cinnamon price continued to decline until the 2000s. In 1999, the world market price for the highest grade of Kerinci cinnamon stood at around USD\$1.32 per kg (or IDR 13,200)¹ (Madan & Kannan, 2003). The available data shows that in 2008, the lowest market price for the highest grade of Kerinci cinnamon stood at only USD\$0.31 (or IDR 3,108) per kg (Ardi et al., 2015). Because of the declining price, farmers were not able to meet their sustenance needs solely from growing cinnamon. This discouraged farmers from continuing to engage in the cultivation of cinnamon, with many instead opting to cultivate other cash crops (ANTARA News, 2010) or going to Malaysia to become domestic workers or labourers, as stated by one of the farmers’ organisation officials:

“When the price dropped we got anxious. Many people in Kerinci ended up migrating, because there was nothing to do here. Many people went to work in Malaysia.” (Official 2, 2016)

¹ USD 1 = IDR 10,000; approximate currency exchange

Price volatility also represents a challenge for *toke*. However, this challenge affects *toke* in a different manner than farmers. Firstly, in the case of low market prices, sometimes *toke* refrain from buying cinnamon from farmers. When they are engaging in the *jual bidang* mode, when market prices are low, they elect to delay the harvesting process until market prices increase to a level they consider viable. Secondly, *toke* who engage in *jual bidang* may have to suffer losses because the price of cinnamon at the time of harvest is lower than at the time they ‘purchased the farm.’ To address this challenge, *toke* may choose to store the cinnamon until prices increase. One *toke* interviewed for this study described this practice as follows:

“One [challenge] that I often face is price. There was once when we bought a farm [*jual bidang*] when the price was IDR 6000. But then the price dropped when we harvested it. But we don’t always have to sell them right away after harvest. We can wait until one year after.” (Buyer 1, 2016)

However, such practices are often harmful for farmers because storing the cinnamon gives *toke* the power to control the flow and quantity of goods at the village level, which in return gives them the ability to push the farm gate price even lower, with one farmers’ organisation official stating:

“They [*toke*] can control the farm gate price. When the cinnamon piled up in their storage, they can push the price even lower. But farmers already harvested their farm so whether you want it or not you are going to sell it at a low price, rather than letting your products go bad.” (Official 4, 2016)

There have also been occasions where *toke* failed to fulfil their financial obligations to the farmers because of the price volatility, with one interviewee stating:

“Last month I entered into two agreements. But I still haven’t received the money. The first one I sold 7 tonnes. The second one was 3 tonnes. The money still hasn’t gone through right to this day... They said the price dropped 2000 [IDR] per kg. I still haven’t received the money. My storage is full... Well, I don’t know anymore. I only do what I can.” (Farmer 1, 2016)

It is worth noting however, that this particular farmer is not a member of any farmers’ organisation, with the subject still operating within the conventional value chains.

Imperfect Information

Another pressing issue for farmers was imperfect information on crucial matters related to cinnamon farming and trading. This study found that in the conventional value chains, farmers have limited access to information regarding sustainable agriculture and regarding international markets for cinnamon, especially on matters related to the use and benefits of the spice, its quality standards and value chains. This could be due to the fact that in conventional value chains, farmers lack organisation, giving external significant power to control farm gate prices as a result of the information asymmetry in the value chains.

As briefly mentioned earlier, apart from cinnamon, farmers in Kerinci also grow a number of other cash crops using intercropping methods. Using intercropping methods, Kerinci farmers grow tomato, eggplants, chillies, and coffee in the space around the cinnamon trees. Farmers usually engage in intercropping after the cinnamon crop has been harvested, while waiting for the regrowth of the cinnamon trees, which usually takes around five years. After the fifth year, the cinnamon trees usually create a significant amount of shade, which makes conditions un-conducive for the growth of the cash crops. At this point, farmers usually cease intercropping and focus on the maintenance of their cinnamon trees. Although the farmers cultivate cinnamon organically, crops cultivated using the intercropping methods usually use non-organic inputs and techniques. Many farmers use chemical fertilisers and pesticides for these additional cash crops. For example, one farmer in my study stated that she regularly used chemical fertiliser in the process of cultivating chili (Farmer 3, 2016). The use of chemical fertilisers will inevitably contaminate the cinnamon trees, which would otherwise be cultivated according to organic principles, with one farmers' organisation official stating:

“...these plants [cinnamon] have been growing for decades. Except when they use chemical fertilisers for the intercropping; even though the cinnamon trees are old, they're not considered organic.” (Official 6, 2016)

Apart from the use of chemical fertilisers, as mentioned in the previous chapter, with conventional farming and trading systems and techniques, farmers used to wait until the trees were around 10-20 years old before harvesting them. Also, when harvesting, they generally cut down all the trees in the farm in order to provide the

quantity of cinnamon required by the buyer. According to one farmers' organisation official, cutting down a whole mature tree could risk damaging the younger trees that might be growing around the older tree, making the farmers unable to harvest the younger trees at a later time (Official 1, 2016). In turn, this would reduce the level of the sustainability of their farm and negatively impact their livelihoods in the long run.

It is interesting to note that despite the fact that Kerinci is the largest producer of cinnamon in Indonesia, residents of the region do not usually consume cinnamon. However, while the spice is not used in their traditional food and drinks, the wood from cinnamon trees, a by-product in the production process, is often used for building materials or firewood. One interview participant said: "All I know cinnamon is used by Dutch people. For those who live in cold areas; for body warmer, for people in Europe" (Farmer 1, 2016). The village head interviewed for this study also reinforced this view by stating: "Yes, it was only recently that people here knew the various uses of cinnamon. I heard that there are people who tried to make cinnamon syrup recently" (Village Head, 2016). This brings us to the next point, which is farmers' limited knowledge of quality requirements.

As a consequence of not knowing the use and benefits of the spice, farmers tend to have poor knowledge of quality requirements. This lack of knowledge is demonstrated by the techniques they use during the post-harvest processing procedures (NGO Representative 2, 2016). Some examples of poor post-harvest handling are: unclean scraping, unhygienic drying, and improper storage. Poor practices in the scraping of the outer bark of the cinnamon also results in unclean cinnamon. This process cannot be reversed because the bark hardens during the drying process. The scraping of the outer bark is normally followed by a sun-drying process. Farmers used to conduct this process by placing the bark on the ground in front of their house or on the side of the street. In many cases, they did not use lining on the ground so the bark came in direct contact with the dirt. Moreover, there is a risk of contamination from animal waste, considering the large number of domestic animals (chicken, goats, and dogs) that roam around the streets in the village.

"...they didn't know that these practices contributed to the low price. They scraped the bark, but it's still not completely clean and they sun-

dried them immediately... They also used to just mix all the barks together, regardless of the quality. Such a shame, because, if for example, the bark has a potentially high grade, but the scraping was not clean, it would look unattractive and would just end up being mixed with the low grade ones.” (NGO Representative 2, 2016)

The level of understanding regarding cinnamon value chains varied significantly among the participants interviewed in this study. Some participants seemed uncertain when they were asked if they knew where their products went after they are bought by *toke*. Many participants stated that they believed that the cinnamon they produced was transported to district level merchants and then to exporters in Padang (regional level) (Farmer 2, 2016; Farmer 3, 2016; Farmer 4, 2016). The *toke* is their only point of contact with markets outside of their village, with information from outside the village often being poorly communicated to the farmers, resulting in farmers having low levels of knowledge and limited capacities to access wider markets. Unfortunately, this creates a vicious circle, because the inability to access markets inevitably contributes to the imperfect information regarding many other aspects of farming and the cinnamon trade more generally.

Non-Collectively Organised Farmers

Although not identified as a challenge by the farmers, my interviews with NGO representatives revealed that a significant constraint was the absence of farmers’ organisations. Prior to 2013, there were no formally established farmers’ organisations or cooperatives in the area I visited. The lack of a solid farmers’ organisation in Kerinci contributed significantly to the persistence of information asymmetry and, ultimately, low farm gate prices.

5.3 Ethical Value Chains

The challenges associated with the conventional value chains could potentially be managed by the adoption of ethical value chains. Some means by which this could be achieved include adding value through the implementation of ethical practices and by meeting international standards through certain certifications. This study found that in the case of Kerinci cinnamon, ethical value chains have evolved through the establishment of a farmers’ organisation and the adoption of organic certification and geographical indications registration. This section further discusses how these measures are being adopted by actors in the value chain. The contributing roles of

external actors in shaping the ethical value chains are also discussed. Adherence to a number of fair trade principles were also observed in this case study and will be briefly discussed in this section.

5.3.1 TAKTIK Farmers Organisation

The positive change to the value chains for Kerinci cinnamon would not have materialised without the establishment of a farmers' organisation. TAKTIK (*Tani Sakti Alam Kerinci*) is a farmers' organisation that was established on 18 July 2013. According to Article 4 of its Articles of Association, their vision is: "The realisation of a farmers' organisation that engages in business through healthy agriculture and farming" (TAKTIK, 2013, p. 1), and their mission is to "actualise environmentally friendly agriculture that is free from exploitation, by creating a fair marketing system for farmers" (TAKTIK, 2013, p. 1).²

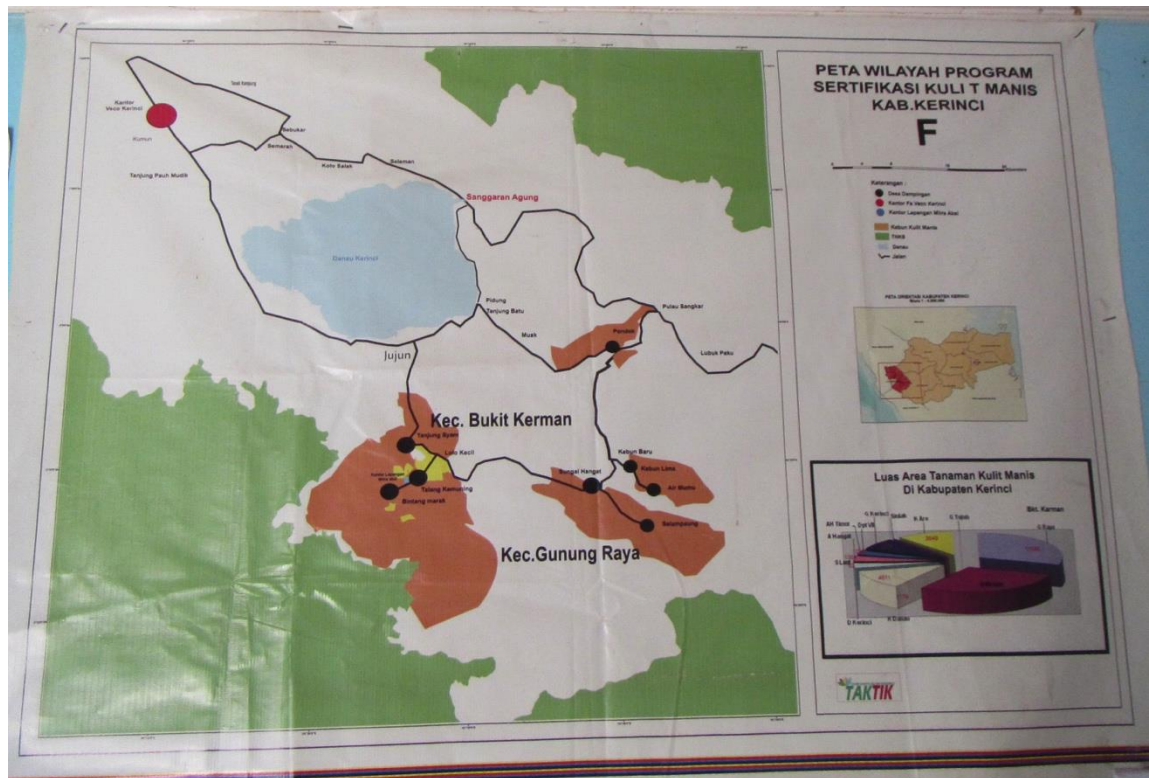
It is worth noting that prior to the official establishment of TAKTIK, the initiators had attempted to form a farmers group known as *Asosiasi Petani Organik Kerinci / APOK* (Kerinci Organic Farmers' Association). However, the association was not very successful and the group was disbanded. Some of the former members of this group were later involved in the establishment of TAKTIK, with one of the organisation's officials stating:

"At that time, former members of APOK then gathered up, around 25 people. They came up with an idea to change the name to TAKTIK, which stands for *Tani Sakti Alam Kerinci*. They also realised they needed some kind of strategy; a strategy to face globalisation." (Official 1, 2016)

This organisation was first established by a group of farmers from five villages in Kerinci district, these being Talang Kemuning, Bintang Marak, Tanjung Syam, Sungai Hangat and Selampaung. By the end of 2013, the organisation expanded its membership to include farmers from three additional villages, these being Air Mumu, Pondok and Kebun Lima. A local NGO based in Jambi, Mitra Aksi, was instrumental in establishing the farmers' organisation. Figure 7 below shows TAKTIK's area of operation.

² The Articles of Association document is originally written in Indonesian, entitled "*Anggaran Dasar Anggaran Rumah Tangga Organisasi Tani Sakti Alam Kerinci (TAKTIK)*". These are the accurate English translations of the vision and mission stated in the document.

Figure 7 TAKTIK's area of operation



(Source: Author, 2016)

Membership of the organisation is voluntary, with easy prerequisites to becoming a member. Farmers from the eight villages mentioned above may become permanent members of this organisation by filling in a registration form and paying a one-time registration fee of IDR 50,000 (around USD 5). Although the Articles of Association (Chapter 4, Article 11) states that a monthly membership fee of IDR 2000 (around USD 0.2) is applicable, in practice this fee has not yet been applied (Official 6, 2016). There is another type of membership, termed ordinary membership. Ordinary members are not required to pay the registration and monthly fees, but they may not elect or be elected as members of the organisation's board. As of 2014, 1,014 farmers were registered as members of the organisation (VECO Indonesia, 2014) with this number increasing to around 1,200 by 2015 (NGO Representative 1, 2016).

As stated above, only permanent members may serve on TAKTIK's board. The board members are elected through a General Meeting, with the required quorum of 50%+3 of the total number of members. Members of the board serve for a period

of three years, with no member being permitted to serve for more than two consecutive terms. Board members are required to manage the organisation professionally and to maintain transparency. Considering that the organisation was only established in 2013, some of the current board members were also involved in the initial establishment of the organisation. Figure 8 below shows TAKTIK's organisational structure.

Figure 8 TAKTIK's organigram



(Source: Author, 2016)

The board consists of an Advisory Body (*Badan Penasehat*; top left on the organigram), a Steering Body (*Badan Pengarah*; top right on the organigram), Head

of organisation (*Ketua*; upper centre on the organigram), Secretary and Treasurer (*Sekretaris* and *Bendahara*; centre left and right respectively on the organigram), and a Manager. Three units operate under the supervision of the Manager, these being the Cinnamon Business Unit (CBU), the Cinnamon Learning Centre (CLC) and the Internal Control System (ICS).

The daily activities of the organisation are conducted by the three units mentioned above. The CBU performs all activities related to the selling and buying of cinnamon, including processes such as drying, storing, sorting, packing and transporting. Through this unit, the organisation creates a number of work opportunities for the local people in Talang Kemuning and the neighbouring village. In particular, 15 women farmers are currently employed as daily workers in the warehouse along with several other people who are employed in the production chains. These women are tasked with sorting and packing cinnamon sticks, having received relevant training prior to their employment at the CBU. In addition, one individual is employed as Head of Warehouse, one as Cashier and one as cinnamon stick Cutter. This unit also has a representative in each of the eight member villages (Official 4, 2016).

The CLC is tasked with conducting training and disseminating other relevant capacity building materials to members of TAKTIK. There are two officials in this unit, namely a Coordinator and an Administrator. This unit was formed as a result of a study visit by TAKTIK's members to a cacao farmers' organisation in East Luwu, South Sulawesi (Official 5, 2016). During the study visit, TAKTIK learned how the cacao farmers established and ran their Cacao Development Centre (CDC). Following this visit, TAKTIK adapted CDC's concept to fit their local context and established the CLC. The CLC itself is tasked with preparing demonstration plots for the learning centre to test the organic intercropping techniques and other Good Agricultural Practices (GAP). These demonstration plots were used as learning media during training activities facilitated by Mitra Aksi. During my data collection, the CLC was experimenting with planting organic ginger as an alternative cash crop to be used in intercropping. While TAKTIK's coverage is currently limited to eight villages, the CLC always welcomes farmers from other villages in Kerinci who want to learn from or share their knowledge with the learning centre. The last unit is the ICS unit, which,

like the CLC unit also has a Coordinator and an Administrator. The ICS unit is tasked with overseeing members' farming practices at all stages, from cultivation, maintenance, harvest, to post-harvest, to ensure that these practices comply with the GAP and to ensure that all cinnamon processing activities in the warehouse are conducted in accordance with the organisation's standards. The ICS is also responsible for quality control over the cinnamon processed through the warehouse (Official 2, 2016). Recently, the ICS has focused on preparing for organic certification. Activities related to this preparation process include improving members' records and mapping farms. As part of this process, the ICS has also conducted internal inspections of farms with the potential to be included in the organic certification.

The alternative value chains that have been developed since the establishment of TAKTIK have a number of unique characteristics. It is largely as a result of the establishment of TAKTIK that the positive changes in the cinnamon value chains are taking place. Following the establishment of the CBU, TAKTIK started a business trial period in August 2014, with full-fledged operation commencing in 2015 (Official 3, 2016). This marked the beginning of a new era for the farmers. Through TAKTIK, members are provided with clear information regarding quality standards. TAKTIK also represents farmers and serves as a bridge between farmers and the markets. With the establishment of direct relationships with exporters, the value chains are shorter than in the case of the conventional value chains. Furthermore, farmers have learned to add value to their cinnamon products by producing high grade cinnamon sticks from younger plants. This means that they do not have to wait as long as previously before harvesting their cinnamon plants. Lastly, with the alternative value chains, the price of the cinnamon is determined on the basis of an agreement between TAKTIK and the exporter. The current price for cinnamon sticks is IDR 24,000 (USD 2.4) per kg, which is twice the average price received by farmers before the organisation was established. This has not necessarily resulted in the cessation of conventional value chains, but it has had a positive impact even in the case of farmers participating in these conventional value chains, with increases to farm gate prices offered by buyers in conventional chains in the area due to increased competition and farmers' increased levels of awareness.

TAKTIK's buyer is a spice trading and exporting company based in Jakarta, called ATN.³ The relationship between TAKTIK and ATN commenced in 2015 and takes the form of joint-operations (Buyer 2, 2016). By engaging in joint-operations, TAKTIK and ATN have moved from a mere trading relationship to a closer connection in which both parties have equal bargaining power. This relationship entails the provision of substantial financial resources, warehouse equipment and capacity building activities by ATN for TAKTIK members and officials, with the intention of ensuring the sustainability of production. The ATN prescribes certain quality requirements, which are communicated to farmers through announcements and capacity building activities.

The new value chains are shorter and seemed to be more beneficial to farmers than the conventional value chains. TAKTIK allows its members to take their harvest to the CBU representative in their village, who transports the cinnamon to the warehouse in Talang Kemuning for further processing. Farmers usually produce a range of different types of bark, depending on the age of the trees harvested. The bark of younger trees is used to produce cinnamon sticks, while the bark of older trees is used to produce cinnamon powder or for other usages in the food and beverage industry. Farmers also produce non-food grade cinnamon, which is used for a number of industrial and other purposes. The cinnamon is sorted into different grades in the warehouse. The long quills are cut into 7cm sticks, according to the standard prescribed by the buyer. These cut sticks are again sorted before being packed into boxes. Each of these boxes contains around 25kg of cinnamon sticks, as seen in Figure 9. The longer quills are packed into large batches using heavy-duty packaging nets, as seen in Figure 10.

³ Abbreviation, instead of full name of the company, is used by request from the company's representative.

Figure 9 Workers sorting and packing cinnamon sticks into a box at TAKTIK's warehouse



(Source: Author, 2016)

Figure 10 Cinnamon quills packed in heavy-duty packaging nets, waiting to be transported to Jakarta by the buyer



(Source: Author, 2016)

At the beginning of this section, I stated that the previous lack of farmers' organisation had contributed to the persistence of information asymmetry and to low farm gate prices. The establishment of TAKTIK has helped farmers to overcome some of the challenges they faced in the conventional value chains. Through TAKTIK, farmers have gained a significant amount of knowledge on matters including organic farming, Good Agricultural Practices, and organisational management. In addition to acquiring practical skills, farmers have also gained access to information regarding market conditions and the means to penetrate new markets. While each of the operational units has its own function, the organisation is fully integrated, with each of the respective units' functions being complimentary to each other.

However, TAKTIK's organisational capacities have been constrained by a number of factors, especially its financial capacity. Since TAKTIK has not yet been established as a formal cooperative, it is not currently able to distribute dividends or to provide financial loans to its members. Moreover, its current status also prevents it from accessing support available to formally established cooperatives, such as financial support from the local Government or soft loans from a bank. However, TAKTIK is currently giving consideration to transforming the organisation into a cooperative in the future. At the beginning of May 2016, a feasibility study was conducted by a Dutch cooperatives development agency, Agriterro (Official 2, 2016; Official 6, 2016). TAKTIK anticipates that this will be followed by capacity building activities, such as training on the management of farmers' cooperatives.

5.3.2 Organic certification

Obtaining organic certification plays a significant role in Kerinci cinnamon farmers' efforts to incorporate ethical values into their production processes. Processes intended to facilitate the achievement of organic certification began long before the external inspector came into the field. These processes began with the farmers group learning about organic farming techniques and their application on their farms.

Farming practice

As mentioned earlier, cinnamon farming is primarily conducted in accordance with the principles of organic farming. Cinnamon trees can grow naturally in Kerinci

and they need very little maintenance. It is the cash crops that the farmers cultivate using the intercropping methods that are usually not conducted according to organic principles. The use of chemical fertilisers and fungicides may pose a risk of contamination for the cinnamon trees that are growing on the same farm. Prior to the establishment of TAKTIK in 2013, cinnamon farmers in Kerinci did not practice organic and sustainable agriculture, relying heavily on the use of chemical fertilisers and fungicides to maintain their crops (NGO Representative 2, 2016). In the beginning, TAKTIK members focused only on developing organic farming skills and applying them on their farms. However, in 2015, they began to practice organic farming specifically as a means to add value to their crops (NGO Representative 1, 2016).

Following the introduction of organic farming techniques, members of TAKTIK began to practice these techniques, with ongoing, systematic monitoring by TAKTIK through the ICS unit. Farmers are required to implement a number of organic farming techniques and principles, such as ensuring organic and non-organic plants do not grow on the same farm; using non-GMO cultivation techniques; conserving soil; water resources and native plants and animals; using organic fertilisers and pesticides/fungicides; and practising integrated waste management (TAKTIK, n.d.).

Certification process

As a culmination to the implementation of organic farming techniques, TAKTIK hopes for these efforts to be recognised through the acquisition of organic certification. For TAKTIK members, the process of acquiring this certification began when they received certification training from VECO Indonesia and Mitra Aksi in 2014, with the purpose of preparing the farmers to obtain Rainforest Alliance (RA) certification. According to one NGO Representative, this was conducted as part of a trade arrangement that they had entered into with Cassia Coop, a Belgian-owned cinnamon exporting company based in the district. The attempt to obtain the RA certificate was not successful because several of the 500 farms inspected at random did not meet the RA standard.

However, the failure to obtain the RA certification did not reduce TAKTIK's commitment. With support from ATN and VECO International, TAKTIK has continued to strive to obtain organic certification for the farms belonging to its members. As

part of the preparation for the certification process, TAKTIK's ICS unit conducted internal farm inspections to assess the readiness of the farms. However, due to limited human resources, it only managed to conduct inspections on 300 farms. During my data collection period in Talang Kemuning, an external inspector from Control Union, an independent certifying agency, came and inspected the farms. The inspection process combined the physical inspection of farms with the verification of documents. The required documents included farmers' registration forms, internal inspection forms, a government authorisation letter, a statement from the internal inspector on conflicts of interest (to ensure that the inspector did not inspect his or her own farm and did not receive any incentive from the owner of the farm) (Field Observation note, 15 June 2016). The process was then followed by the physical inspections of selected farms.

The first few farms to be inspected were located in the higher areas of Talang Kemuning, around 20 minutes from TAKTIK's office. Parts of the road were gravelly and another section was muddy. Due to the bad road conditions, the journey could only be undertaken on foot or by motorbike (Figure 11). We had to park the motorbikes halfway at the first farm and continued our journey on foot. Since the farms in this area are located on a slope, these farms are not normally used for intercropping, suggesting that the cinnamon trees might have been growing organically.

I recounted in my field notes the sampling process that was done at the first farm.

"Pak Morris (one of my interview subjects) did the barking with assistance from another farmer. Approximately 100gm of cinnamon bark was taken from 1 tree at the first farm. To obtain this sample Pak Morris had to cover his hands with a clear plastic bag. Basically, the hand cannot be in direct contact with the sample... Another strict requirement is that the person barking the tree could not have smoked [cigarettes] prior to the process." (Field observation note, 15 June 2016)

Figure 11 The condition of the path that leads to the farms in Talang Kemuning



(Source: Author, 2016)

The certification process was conducted in accordance with the USDA and EU Organic standards. The two standards were used because the USA and Europe are the ATN's two target markets for Kerinci cinnamon. Moreover, since the certification process was funded by ATN, it is ATN which will be the actual holder of the certificate. At the time of my data collection, 261 farms were waiting to be certified (Buyer 2, 2016). Follow up communication with a TAKTIK official showed that organic certification had been issued for 261 farms, with products from these farms now having the right to bear the organic label (Official 1, Personal communication, 10 October 2016).

5.3.3 Geographical Indications

Through my interviews, I learned that securing Geographical Indications (GI) rights is another means by which the value chains for Kerinci cinnamon have been evolved to become more ethical. However, not many participants are aware of this

GI, and those who had heard about it could not provide elaborate answers to questions regarding GI. Furthermore, the lack of awareness of this issue also meant that there were very few documents available on the issue. Nonetheless, I located a few key documents, with this section based on an analysis of these documents. The documents used for this analysis include: Book of Requirements of GI for Kerinci cinnamon (draft version) published by MPIG-K2J⁴ as part of the GI registration at the Directorate General of Intellectual Property, Ministry of Law and Human Rights; GI Gazette on the registration of Kerinci Cinnamon published by the Directorate General, and media reports.

Kerinci cinnamon has its own unique properties, although generally consumers have little awareness of these properties. According to MPIG-K2J (2015), Kerinci cinnamon contains more than 5% essential oil and more than 80% Cinnamaldehyde (an organic compound unique to Cinnamon which gives the spice its flavour and odor). This characteristic is what makes the quality of Kerinci cinnamon better than the cinnamon produced by neighbouring regions. However, due to the nature of the conventional value chains, irresponsible parties often claim that cinnamon produced in other areas is produced in Kerinci, with a few cases in which the converse is true, with cinnamon produced in Kerinci being sold as produced in Padang (Official 2, 2016). A number of consumers were also unaware that Kerinci is the name of a district, mistaking it for a mere product name (Official 2). These issues have been identified as areas of concern by Kerinci cinnamon producers and local authorities, serving as the impetus for claiming GI rights for cinnamon produced in the district.

The first step to claiming GI rights was to establish an agency that represents the Kerinci cinnamon community. The agency called *Masyarakat Perlindungan Indikasi Geografis Kerinci* (MPIG-K2), has a membership consisting of a number of stakeholders and office bearers, including cinnamon farmers, traders and processors, representatives of local authorities, traditional leaders, and representatives from various District Offices. To date, only producers from Gunung Raya, Batang Merangin and Bukit Kerman sub-districts are included in the membership of MPIG-K2J. These

⁴ MPIG-K2J stands for *Masyarakat Perlindungan Indikasi Geografis Kayumanis Koerintji Jambi* or Community for the Protection of Geographical Indications for Koerintji Cinnamon Jambi.

three sub-districts are located on one contiguous highland, with the sub-districts adjacent to one another. The village in which my fieldwork was conducted is located in the Bukit Kerman sub-district, with the TAKTIK farmers' organisation being a member of the MPIG-K2J. Farmers from other sub-districts in Kerinci may become part of MPIG-K2J providing their cinnamon products meet the quality and taste criteria, which would need to be proven through a thorough analysis by relevant authorities (MPIG-K2J, 2015).

The registered name for Kerinci cinnamon is *Kayumanis Koerintji*. *Kayumanis* is the Indonesian word for cinnamon, while *Koerintji* is the old spelling of Kerinci. There is already a significant degree of recognition for the term "Koerintji cinnamon" in global cinnamon markets (Madan & Kannan, 2003). MPIG-K2J has produced a handbook entitled *Buku Persyaratan Indikasi Geografis Kayumanis Koerintji Jambi* (Book of Requirements for the Geographical Indications for Koerintji Cinnamon) as part of the GI registration process. The book contains specific requirements for a cinnamon product to be acknowledged as GI-protected Koerintji Cinnamon. According to the book, three types of cinnamon products can each receive GI registration, these being dried cinnamon quills of four different quality grades, each of which has their own attributes; cinnamon sticks; and cinnamon powder.

Moreover, there are special characteristics that have to be met if a cinnamon product is to be considered Koerintji Cinnamon. These characteristics are:

- Physical characteristics:
The GI requirement book by MPIG-K2J describes the unique characteristics of Koerintji cinnamon as "light to dark brown in colour, rolls up on the edges when exposed to direct sunlight, has fragrant and pungent aroma, sweet tasting and rather spicy. Physically, the older the cinnamon plant, the colour of the bark will be darker, the aroma more pungent and the taste more spicy" (MPIG-K2J, 2016, p. 13). The organic nature of the plants is another special characteristic of Koerintji cinnamon.
- Chemical characteristics:

The unique chemical characteristics of Koerintji cinnamon are the high level of essential oil and cinnamaldehyde (>90%). These levels have been demonstrated by a laboratory test conducted by the Spices and Medicinal Plants Research Centre of the Ministry of Agriculture (Balittro). These chemical characteristics are due to the type of plants grown in the area and the geographical and geological conditions of the area in which they grow.

Figure 12 The registered label for Koerintji Cinnamon



Note: Only cinnamon from certain areas in Kerinci that meet the requirements are allowed to bear the name “Kayumanis Koerintji” and use this label. (Source: DGIP, 2016)

So far, only three sub-districts have been included in the scope of the GI, although they are not the only areas in Kerinci in which cinnamon is produced. The level of chemical compounds contained in the cinnamon produced by each of the three areas varies but is generally high, signifying the high quality of the product (see Table 3). Cinnamon originating from other sub-districts in Kerinci may also become part of the GI protection scheme if it meets the criteria, as established by the appropriate assessment procedures.

Table 3 Chemical contents of Kerinci cinnamon produced by six sub-districts

No.	Sub-District	Essential Oil (%)	Cinnamaldehyde (%)
1	Gunung Raya	5.80	93.23
2	Bukit Kerman	2.00	90.50
3	Batang Merangin	1.78	90.08
4	Gunung Kerinci	3.57	86.04
5	Siulak Deras	2.20	74.35
6	Siulak Mukai	2.83	73.48

Note. From MPIG-K2J, 2016, p. 15. Cinnamon from these sub-districts were included in the laboratory assessment. Only those from Gunung Raya, Bukit Kerman and Batang Merangin sub-districts are GI protected.

The process of obtaining GI registration would not have been possible without the support of the local government. The District Head of Kerinci has been instrumental in facilitating this registration, issuing a recommendation letter which was included in the GI registration process conducted by MPIG-K2J. The document testifies that a registration application was submitted to the Directorate General of Intellectual Property, Ministry of Law and Human Rights on 17 December 2012 and that this application was received by the Directorate General on 23 December 2015. There seemed to be an inconsistency between the registration date and the date stated in my interview. According to one participant who is a member of MPIG-K2J, the process started in November 2015 (Official 1, 2016). The Directorate General conducted a field assessment in Kerinci on 16 February 2016 (VECO Indonesia, 2016) and following this, the application was officially announced through a Gazette Numbered: 03/IG/II/A/2016. It was made public for the period of three months between 25 February 2016 and 25 May 2016. This is in accordance to Article 22 Par (1), Republic of Indonesia's Trademark Law No. 15/2001. During this time, any interested party was able to lodge an objection to the application. The application was finally approved on 26 May 2016 (No. ID G 000000043), making Kerinci cinnamon the 43rd product protected by GI in Indonesia. The certificate was officially handed to the Regent of Kerinci by the Indonesian Vice President in Jakarta, 18 July 2016 (Pelopor News, 2016).

Since GI protection for Kerinci cinnamon has only been implemented recently, the degree of its effectiveness cannot yet be determined. However, a number of parties have expressed optimism. The Kerinci cinnamon community expects that the GI registration will increase the bargaining position and add value to Kerinci cinnamon in international markets, resulting in increased recognition for the quality and unique nature of Kerinci cinnamon. It is also anticipated that this GI would play a role in maintaining the body of local wisdom in Kerinci regarding the management of natural resources, thus playing a role in conservation efforts in the region. The challenge lies now in the hands of the Kerinci cinnamon community to uphold the quality of their products accordingly, in order to maintain the standards determined by the GI.

5.3.4 Adherence to Fair Trade Principles

Apart from the findings above, this study also finds adherence to a number of WFTO ten fair trade principles in the business practice of TAKTIK and ATN. Firstly, principle one, creating opportunities for economically disadvantaged producers. It was the underlying principle of the partnership between TAKTIK and ATN, which commenced with the support of VECO Indonesia and Mitra Aksi. The partnership enables Kerinci farmers to obtain more secure income through more effective cinnamon agribusiness and consequently making them less dependent on *toke*. More secure and regular income from cinnamon also means that it has a long-term poverty reduction potential for the farming community and for the Kerinci district in general.

The next principle observed in the Kerinci cinnamon ethical value chains was principle three, fair trading practices. As a company with stronger financial capability, ATN recognised TAKTIK's need for financial support, and as a result ATN has been providing TAKTIK with funding to purchase production equipment, made advance payment to TAKTIK's business unit in order to help with its operational costs. Most importantly, ATN funded the organic certification process for TAKTIK members' farms. Furthermore, principle four, payment of fair price, was also practiced in the case of TAKTIK. TAKTIK paid its members who sell their cinnamon to the organisation at prices higher than the conventional market. These prices were agreed between TAKTIK and ATN, and were calculated in such a way that took into account the cost

of labour and added values. Furthermore, workers were also paid with socially acceptable rate in the context of the Talang Kemuning village.

Additionally, principle five, ensuring no child labour and forced labour, was also reflected in the case study. No child was employed by TAKTIK in the business unit. In fact, for health and safety reasons children and anyone under the age of 18 are not permitted to enter the warehouse. Some aspects of principle six, commitment to non-discrimination, gender equity, and women's economic empowerment and freedom of association, were seen in the case study. Most workers in the TAKTIK's business unit were women farmers who did not have regular jobs before joining the organisation. Principle eight, providing capacity building, was also reflected in the case study. Capacity building for farmers was done through various training activities conducted for TAKTIK's members with facilitation from Mitra Aksi and VECO Indonesia. Lastly, principle ten, respect for the environment was also practiced in the ethical value chains through the adoption of organic farming and sustainable cultivation and harvesting techniques.

5.4 Chapter Summary

In this chapter, I have discussed the nature of conventional value chains for the production of Kerinci cinnamon and the manner in which ethical value chains have evolved over the past few years. In particular, I focused on the role of the TAKTIK farmers' organisation in the development and implementation of the ethical value chains. The use of organic farming and the registration of Geographical Indications for Kerinci cinnamon epitomised the application of ethical value chains for this commodity. The findings in this chapter will provide a basis to address the defined research questions, especially as these relate to the development and implementation of ethical value chains of Kerinci cinnamon. In the next chapter I transition into addressing my second set of findings, which are related to the factors that prompted value chain actors to participate in ethical practices and the perceived benefits of ethical value chains.

CHAPTER 6

FACTORS PROMPTING PARTICIPATION AND BENEFITS OF ETHICAL VALUE CHAINS

6.1 Introduction

This chapter details the second set of findings from this study. It is divided into two main sections. The first section focuses on the factors that prompted Kerinci cinnamon value chain actors to participate in ethical value chains (EVC). Particular attention is given to how these factors influenced buyers, NGOs and farmers, and the role of one actor in influencing the other. The second section focuses on the benefits of participating in the EVC, as perceived by the farming community, NGOs, as well as buyers. At the end of this chapter the projected benefits of Geographical Indication protection for this commodity will also be presented.

6.2 Factors Prompting Value Chains Actors to Participate in Ethical Value Chains

In this section I present my findings on the factors that prompted value chains actors to actively engage in more ethical practices. There are three major groups of actors that will be discussed, namely Exporters, NGOs, and Farmers. These factors vary from one actor to another but it is also possible that the factors that influence one group of actors are interconnected to the factors influencing other actors.

6.2.1 “Green Farm to Global Markets”: Factors Prompting Exporter into Adopting Ethical Practices

As briefly mentioned in the previous chapter, the exporter in this case study is ATN. ATN is a Jakarta-based company that specialises in exporting Indonesian spices to the global markets, especially in Europe. According to its representative, the three main commodities that they are exporting are: nutmeg, cinnamon, and pepper. Currently they operate in a number of different locations in Indonesia, namely Ambon and North Sulawesi for Nutmeg, and Kerinci for cinnamon. ATN started as a trading company, buying their spice supply from the regional markets and selling them overseas through their sister company in the Netherlands. After a couple of years, they realised that they would not be able to maintain the sustainability of their

chains if they kept operating only as a trader. It was during this time that they decided to go to the source where the spices originated.

“Establishing sustainable partnerships to enter the world market with a competitive unique selling point for safe, traceable, and sustainable spices” (ATN, 2016, p. 2) is part of ATN’s farm-based supply chains development goal. Through the local government, ATN came to the source of Kerinci cinnamon and was connected to the TAKTIK farmers group. From 2015, ATN established a relationship with the farmers group and in coordination with Mitra Aksi (a local NGO) and VECO Indonesia (an international NGO) they have been providing support to TAKTIK in the form of capacity building activities both for the farmers and the organisation itself. Apart from capacity building activities, the support that was given to TAKTIK also came in the form of in-kind contribution as well as financial aid. The most recent support given to TAKTIK farmers was funding the organic certification process for 261 cinnamon farms and the preparation activities that took place prior to the certification.

According to my informant, ATN used to buy cinnamon from local traders in Padang city, West Sumatra. The problem with buying Kerinci cinnamon from local traders in Padang was that there was no guarantee in terms of product traceability. As mentioned, Kerinci cinnamon products sold in Padang are prone to fraudulent practices by irresponsible traders who claim other cinnamon has originated in Kerinci or they combine other cinnamon with Kerinci cinnamon, risking the credibility of the product. Additionally, on a number of occasions the European Commission has been applying border rejection for certain commodities and this made ATN more cautious about the products they export to Europe. In the last few years the Indonesian spice industry has received border rejection, particularly due to the high level of *aflatoxin*⁵ found in nutmeg. This concern was expressed during my interview with the buyer/exporter.

⁵ “Aflatoxins are mycotoxins produced by two species of *Aspergillus*, a fungus which is especially found in areas with hot and humid climates... Aflatoxins can occur in foods, such as groundnuts, treenuts, maize, rice, figs and other dried foods, spices and crude vegetable oils, and cocoa beans, as a result of fungal contamination before and after harvest.” (<https://www.efsa.europa.eu/en/topics/topic/aflatoxins>, accessed November 2016)

“You can check in the RASFF Portal;⁶ up until June [2016] there have already been four notifications. They were all related to *aflatoxin*. So you see why we shift from only trading into [our motto] ‘green farm to global market’; because we need to know for sure what it is like at the source. We have to move beyond buying and selling and making a profit. We also need to know what the farmers are doing, how they harvest their products”. (Buyer 2, 2016)

Apart from traceability, tight competition within the global spice markets has increased the demands for products that are more unique. Incorporating ethical values into their cinnamon products is, therefore seen by ATN as a creative way to meet the demands of the markets and to leverage their competitiveness in the industry:

“...we realised the current situation. With demands of better quality, higher quantity and the competition within the industry, especially in the cinnamon sector, we have to be more creative. We need to have better competitiveness. We need to be hands on at the grassroots level. [To do this] first we did an assessment. We assessed the products, the cropping, and the human resources. The local culture is also important”. (Buyer 2, 2016)

For example, one particular demand from the European market is for the product to be organic. Since Europe is a very important market for Kerinci cinnamon, obtaining an organic certificate will help increase the credibility of Kerinci cinnamon in Europe. Moreover, ATN sees that the possession of an organic certificate will also pave the way to obtaining other certificates such as sustainability or Fairtrade certificates. Another example is the grading specifications prescribed by ATN which are in accordance to the demands of the European market, as seen in Figure 13.

As mentioned in the previous chapter, the nature of the relationship between ATN and TAKTIK is in the form of joint-operations. According to the company’s representative, this relationship will allow ATN to do profit-sharing with TAKTIK in the future, including the transfer of a premium price that would be earned from having

⁶ RASFF, which stands for Rapid Alert System for Food and Feed, is a tool established by the European Commission to ensure the cross-border flow of information to swiftly react when risks to public health are detected in the food chain

an organic certificate. By doing so, ATN believes that they are leveraging the position of farmers within the value chains, as expressed below:

“This [business relationship] is more appealing to farmers! It makes them happier. They have better position and products that are better accepted and also guaranteed by the markets. ATN is giving them a breath of fresh air”. (Buyer 2, 2016)

Figure 13 An example of grading specifications prescribed by ATN



(Source: Author, 2016)

Moreover, ATN is aware of the need to be consistent in carrying out their ethical practices. This is particularly related to the maintenance of the organic certificate. This concern is further imposed on the farmers through TAKTIK, by providing them with a deeper understanding of sustainable practices. This is done by ATN because they see TAKTIK as their production unit for the Kerinci cinnamon commodity. ATN is also applying similar concepts to their nutmeg commodity chains in Sitaro Islands District, North Sulawesi.

6.2.2 Value Chains Intervention: Factors Prompting NGOs into Promoting Ethical Value Chains

NGO's play an important role in promoting the ideas of sustainability and ethical consumption (Kong, Salzmann, Steger, & Ionescu-Somers, 2002). This study has found that this is also the case for Kerinci cinnamon, in which two NGOs are influential in shaping its ethical value chains. The two NGOs that play an important role in the adoption of ethical value chains of Kerinci cinnamon are VECO Indonesia and Mitra Aksi. The findings presented in this section are based on the interviews with representatives from both NGOs and on relevant documents obtained during data collection.

VECO Indonesia is a subsidiary of Vredeseilanden, an International NGO based in Belgium. This organisation has value chain intervention at the heart of its programmes. Vredeseilanden itself operates globally in a number of regions such as Africa, Latin America, and Southeast Asia. Their main goal is to achieve "a better deal for farmers" (VECO Indonesia, n.d.). In Indonesia, VECO operates in Java, Sulawesi, Flores and Sumatra. According to my informant, the aim of its Kerinci programme is to improve the livelihood of the cinnamon farming community through value chains intervention (NGO Representative 2, 2016).

Although the goal is to improve farmers' livelihoods, the value chains intervention that VECO Indonesia is doing is directed at both farmers and buyers. For the farmers, the kinds of intervention that VECO Indonesia includes are: (i) promoting sustainable agricultural practices, commonly known as the Good Agricultural Practices (GAP). They do this by introducing SAN-standard⁷ organic farming for cinnamon cultivation and the intercropping; (ii) promoting Good Handling Practices (GHP) for harvesting and post-harvesting processes, including quality control; training farmers (through TAKTIK) regarding any new, applicable standards required by buyers; giving farmers organisational capacity building, such as ICT training for TAKTIK officials.

Meanwhile, the aim of VECO Indonesia's intervention that was directed at the buyer was based on two premises. The first was to encourage buyers to adopt

⁷ SAN stands for Sustainable Agriculture Network.

inclusiveness in value chains (i.e. to account for farmers' positions in the value chains). This was done by promoting a business model that put producers and buyers at the same level in the value chains. This resulted in the joint-operations relationship between ATN and TAKTIK. The second premise was to advocate for buyers to give service back to farmers, such that their products can be better accepted by markets. This resulted in ATN funding and facilitating the organic certification for 261 farms, providing processing equipment and capacity building training. In doing so, according to its representative, VECO Indonesia selected the buyer carefully before engaging them in the partnership.

“We do not just pick and choose, we select them carefully. We had to make sure that they have a good intention and that they share our vision”. (NGO Representative 1, 2016)

ATN is a company that shared similar a vision to VECO Indonesia and with this compatibility their partnership began. Prior to their partnership with ATN, VECO Indonesia engaged a local NGO in Jambi, namely Mitra Aksi, which would then be in charge of the daily operations of their programme in the field.

Mitra Aksi is a Jambi-based NGO that was established in February 2000. This NGO aims to empower marginalised communities especially on issues related to health, education, sustainable livelihoods, and disaster risk reduction. Their involvement in sustainable livelihoods was initiated following their emergency response work in Padang and Kerinci between 2010 and 2012. During this period they learned about the concerns of local farmers whose income was declining despite the great potential of their lands. Mitra Aksi was concerned about the depleting forest cover in some areas of the Kerinci district. These areas are where the cinnamon plantations are located, part of the Kerinci Seblat Nasional Park buffer zone. The depleting forest cover was caused by unsustainable, conventional cinnamon harvesting practices.

“They [Kerinci people] see cinnamon as an ancestral plant, an investment... When they need money for Hajj, school or a wedding they would sell them in bulk [*jual bidang*]. In 2013 we saw cinnamon that used to grow in some areas was disappearing. At this rate, it is possible that in

the near future we would no longer see the plants and only its name [Kerinci cinnamon] will remain.” (NGO Representative 2, 2016)

According to my informant, this problem can be solved partly by promoting cultivation of cinnamon plants. Consequently, this was how the idea to promote sustainable cinnamon farming came about. Apart from the unsustainable agricultural practices, the long and ineffective supply chains of Kerinci cinnamon were also identified as a contributing factor to the declining income of farmers and consequently an important issue that needed to be addressed.

With funding from VECO Indonesia, in 2013 Mitra Aksi began their sustainable agriculture programme in Kerinci. This programme ran for three years, from 2013 to 2015. There were five villages engaged during the first year of this programme and three additional villages were engaged in the second year of the programme. It was during this time that Mitra Aksi assisted the establishment of the TAKTIK farmers’ group. Under their partnership agreement with VECO Indonesia, Mitra Aksi was responsible for managing the daily operations of the programme at the grassroots level, which included providing training for farmers on sustainable agricultural practices, organisational strengthening, as well as monitoring and advocacy activities. Since this was the first time for farmers to be involved in such activities, Mitra Aksi stressed the importance of regular monitoring and close coordination between them and their beneficiaries. Consequently, one Coordinator and three Field Facilitators were placed in the field to work directly with farmers. Mitra Aksi was also instrumental in facilitating TAKTIK in engaging with external buyers.

Although these two NGOs shared the same values and goals to improve the livelihood of the cinnamon farmers’ communities in Kerinci, after three years of partnership there seemed to be some conflicting ideas between VECO Indonesia and Mitra Aksi, about how to achieve the goals. After three years of programme implementation, Mitra Aksi saw that the farmers still need intensive guidance in doing business and navigating the markets, a territory that is completely new for TAKTIK and its members. There are still some areas that, according to my informant, TAKTIK still need to become versed in, such as organisational management, transparency and financial accountability (NGO Representative 2, 2016). Meanwhile,

VECO Indonesia pushed for TAKTIK to be independent and to be able to do business with moderate supervision. The partnership between Mitra Aksi and VECO Indonesia ceased after three years. And from the start of 2016 VECO Indonesia began engaging directly with TAKTIK.

6.2.3 Factors prompting farmers' participation in ethical value chains

This study finds that the factors prompting Kerinci cinnamon farmers' participation in ethical value chains can be analysed by looking at two sets of factors: firstly, the factors that prompted the establishment of farmers' organisation; and secondly, the factors that prompted the farmers to join the organisation. First and foremost, the most significant indication for farmers' participation in ethical value chains is the establishment of the TAKTIK organisation. The establishment of TAKTIK was something that was promoted by Mitra Aksi as part of their sustainable agriculture programme. Mitra Aksi's strong influence was acknowledged by TAKTIK Officials in my interviews, with them stating that the organisation was established with their support (Official 1, 2016; Official 3, 2016; Official 4, 2016; Official 6, 2016). This is unsurprising given the direct engagement between Mitra Aksi and TAKTIK (in comparison to VECO's engagement) during the first three years following TAKTIK's establishment, which was also the period of Mitra Aksi's programme. Although not immediately mentioned, the role of VECO Indonesia in the establishment of TAKTIK was also acknowledged by the officials (Official 3, 2016; Official 6, 2016). Furthermore, Mitra Aksi had a significant influence on the farming community, but the nature of their influence was not coercive, as stated by one TAKTIK official:

"Initially TAKTIK was established because of Mitra Aksi. They introduced the programme in different villages and welcomed those who wanted to be part of it. If the village was interested, Mitra Aksi would facilitate them." (Official 4, 2016)

In addition to the establishment of TAKTIK, farmers' adoption of the ethical value chains is manifested in their direct involvement in the organisation as registered members. Learning about the factors influencing TAKTIK's establishment helps us in analysing the factors that prompted farmers into joining the organisation. As part of my interview I asked my participants to share the reasons why they joined the organisation. The majority of them stated that they joined TAKTIK because they were

invited by someone they knew (a family member, friend, or relative) who was already a registered member. One participant also stated that he was invited to join the organisation because TAKTIK believed he could provide a positive contribution to the organisation:

“I was invited to join by some friends. It’s been more or less 8 months since I first joined TAKTIK. They often come to me for advice and to ask for my opinion [on certain matters]. Maybe it’s because they regarded my experience in working in the private sector.” (Farmer 5, 2016)

A similar reason was expressed by one of the officials who stated that she joined the organisation after someone invited her to become a member. From February 2015 she was asked to become one of the officials, handling the finances at the Cinnamon Business Unit (Official 3, 2016). It is worth noting that this participant was one of the few people in the organisation that has a college degree. Another participant, who was also an official at TAKTIK, stated that he only joined the organisation after it was established for a couple of years and after learning about the organisation along the way:

“I was not involved at the beginning. But then I became interested in joining because of TAKTIK’s performance. I see how much they care about the farmers, how they want to improve farmers’ income and how they stand up for their rights.” (Official 2, 2016)

With regards to the uptake of sustainable agriculture, farmers became interested in practicing organic farming because organic products were promoted as more lucrative compared to conventional crops because of the added value. The promise of a premium price for members who practice organic farming was also one of the factors prompting farmers to join the organisation (Official 6, 2016). Moreover, although Mitra Aksi and Veco Indonesia were the drivers in the establishment of the farmers’ organisation, in reinforcing farmers’ participation, these NGOs utilised simple and logical information that can easily be accepted by farmers (NGO Representative 1, 2016). From the above responses we can see that social factors play an important role in influencing Kerinci farmers to become members of TAKTIK and consequently to adopt the ethical practices. Understanding the factors that prompted the adoption of ethical value chains helps us in analysing the outcomes of this practice which are perceived as benefits by ethical value chain actors.

6.3 Perceived Benefits of Ethical Value Chains

The concept of ethical value chains for Kerinci cinnamon is still fairly new and actors are still at a learning stage, where they are trying out the best solutions for the problems in the value chains. Given the nature of cinnamon farming that requires a long time before a farmer can harvest their farm, investigating the long-term benefits of adopting ethical value chains is beyond the scope of this thesis, neither did this study use any particular instrument to measure benefits. Instead, participants were asked to express what they perceived as the benefits of the alternative chains thus far. This study finds that to date, there are three major perceived benefits of adopting ethical value chains, specifically from establishing farmers organisation and getting organic certification. The perceived benefits are: higher farm-gate price, capacity building and creation of job opportunities, and environmental benefits. Meanwhile, the benefits of having Geographical Indications are seen more as projected benefits, given the GI for Kerinci cinnamon was only awarded in July 2016.

6.3.1 Higher Farm-gate Price

One of the perceived benefits of adopting ethical value chains for Kerinci cinnamon farmers is the higher farm-gate price. This was what some participants immediately recalled as the benefits of the alternative chains (Farmer 5, 2016; Official 2, 2016; Official 4, 2016; Official 6, 2016). Higher farm-gate prices were achieved by adding values into Kerinci cinnamon products, such as by producing cinnamon sticks and having organic certification. According to one informant, the price of cinnamon sticks is now IDR 25,000 per kg and they can be produced from younger trees (Official 6, 2016). The higher farm-gate price that TAKTIK is applying to its members created a 'knock-on effect' for the conventional chains. As stated by one interview participant:

"Following TAKTIK's establishment, the price of cinnamon increased. Now there is a competition. Back then, *toke* used to buy the KM grade cinnamon [thick bark, highest quality] only for IDR 17,000 per kg. After TAKTIK they began buying it for IDR 18,000 or 19,000. The price is more competitive now." (Official 4, 2016)

Additionally, the shorter and more effective value chains mean that the profit that used to be generated by middle men can now be enjoyed directly by farmers.

Some participants did not mention this as the benefit because they have not harvested their farm and sold their cinnamon to TAKTIK during this period.

6.3.2 Capacity Building and Creation of Job Opportunities

The second set of benefits is in the form of capacity building and creation of job opportunities. Firstly, the benefit of capacity building was made possible through the establishment of the farmers' organisation. Through this organisation farmers are involved in capacity building activities that provide them with new agricultural skills that they can immediately practice in their daily life and become well informed about current market conditions and international standards (Official 1, 2016; NGO Representative 2, 2016).

To some farmers who have yet to enjoy the benefits of higher farm-gate prices, creation of job opportunities, especially for women, is seen as a significant benefit of the alternative chains. This is acknowledged by the village head in one of my interviews:

"Back then, around 3 or 4 years ago, there were almost no women working locally in this village. Most of the women in our community worked in the farms. Now there are many women working locally at TAKTIK. [TAKTIK] has opened up job opportunities and created employment." (Authority 1, 2016)

A similar view was also expressed by a female participant:

"After I joined as a member, my income became more stable. If I only work in my rice field, I only make money every three months. I have worked here for almost two years. Before I work here, I only worked in the rice field." (Farmer 4, 2016)

The availability of local employment is particularly beneficial for women as stated by two participants:

"...it is better than just sitting around at home after I finished harvesting my rice. I work here and at 2 pm I can go home already to cook for my family." (Farmer 3, 2016)

And:

"Before, I was working in Malaysia. I migrated to Malaysia to work as a labourer. Now I've been back for one year... Because of TAKTIK I can work in this village. I won't have to go too far. Yes, it's good. I get paid and it's close by. It's good for my household too." (Farmer 2, 2016)

This particular benefit is important because by working locally, community members are able to generate additional income for their households without having to leave their village or travel to a different region, and for some, without having to neglect their domestic duties.

This positive view of the organisation, however, was not always the norm. At the beginning, a handful of people in the region had a negative view regarding the existence of TAKTIK. According to one informant, this mostly came from people outside of Talang Kemuning and Bintang Marak villages (Official 3, 2016). Additionally, another official stated that some others doubted the potential of the organisation and thought the organisation was “doomed to fail” (Official 2, 2016). So far, TAKTIK’s business unit has employed around 30 people from Talang Kemuning and the neighbouring villages. Though this number is still low compared the number of members and farmers in the community this is definitely a good start. The majority of people who expressed the negative views were people who might have been interested in working at the business unit, but were not able to be accommodated due to TAKTIK’s limitations. One official stated:

“There are still many people who would like to work here. Even though they’re not from Talang Kemuning, they can still work at TAKTIK. But our facility is still limited so we can’t accommodate more workers, just yet.”
(Official 6, 2016)

One NGO representative thought that this concern might have come from the fact that when TAKTIK first started their programmes, they did not openly offer financial benefits to the people, unlike many other farmers’ group that are established because there was some sort of grant from the government (NGO representative 1, 2016).

6.3.3 Environmental Benefits

Apart from the two benefits described above, ethical value chains of Kerinci cinnamon also yield environmental benefits. Though environmental benefits were not a subject that was immediately seen as beneficial by most participants (especially farmers), some participants discussed them in the interviews. The benefits were

produced, in particular, because of the application of organic farming and sustainable cultivation and harvesting techniques.

Firstly, the application of organic farming was seen as safer for farmers and the soil, because the risks related to exposure to chemicals were lessened. An official of TAKTIK stated that there were some occasions where farmers experienced health-related problems due to extended exposure to chemical fertilisers and pesticides when they were working on their intercrop plants (Official 5, 2016). The participant further explained that since using organic techniques the soil in his farms has become more accommodating for the natural soil life (for example, earth worms and frogs).

Secondly, by learning new cultivation and harvesting techniques that are more sustainable, farmers are now more encouraged to grow cinnamon again, as stated by one TAKTIK official:

“...after we educate them, they start to consider growing cinnamon again. They also learned about good harvesting procedures.”
(Official 2, 2016)

Moreover, by learning to harvest only the stalk for the purpose of making cinnamon sticks, as opposed to the conventional harvesting, farmers help maintain the land cover within the buffer zone of Kerinci Seblat National Park (KSNP). A similar view about the environmental benefit of the alternative value chains was also expressed by an NGO representative, stating that improving the livelihood of the Kerinci cinnamon community through their value chains intervention could help prevent the possibility of forest encroachment into the KSNP by the farmers (NGO Representative 1, 2016).

6.3.4 Projected Benefits of Geographical Indications for Kerinci Cinnamon

Unlike the benefits of practicing organic farming and the establishment of a farmers' organisation that have already been experienced by value chains actors, the benefits of GI protection for Kerinci cinnamon are still seen as projected benefits. This is because GI for Kerinci cinnamon had only been issued in July 2016. Nevertheless, there are a number of projected benefits of GI protection. Firstly, due to the legal nature of GI in Indonesia, the local government believes that being registered at the Directorate General of Intellectual Property, GI can help mitigate the risk of fraud in

regards to the traceability of Kerinci cinnamon. (Pemda Kerinci, 2016). Secondly, added value may be gained from the Kerinci cinnamon GI registration, which would in turn increase its price and farmers' productivity. GI registration is also projected to contribute to the commodity's competitiveness in the domestic and global markets, a view that is shared between cinnamon buyer/exporter (Buyer 2, 2016) and the Community for the Protection of Geographical Indications for Koerintji cinnamon (MPIG-K2J, 2016).

6.4 Chapter Summary

In this chapter I have discussed my second set of findings, especially in regards to the factors that prompted the participation of value chains actors in the EVC. In this regard, particular attention was given to how the factors affect different value chain actors, and how one actor had influenced the other. I have also discussed the perceived benefits that farmers yield from the incorporation of ethical values, particularly sustainable agriculture and establishment of a farmers' organisation. The findings presented in this chapter combined with the findings presented in the previous chapter would serve the basis for my discussion in the chapter that follows.

CHAPTER 7

GOVERNANCE, TIMING AND BENEFITS: A LESSON FROM KERINCI

7.1 Introduction

In chapters 5 and 6, I have presented the three sets of findings from this study. The first set of findings detailed how the concept of ethical value chains is implemented for Kerinci cinnamon as a commodity. The second set of findings describes the factors that prompted value chains actors into participating in the ethical value chains. The third set of findings provides insights into what actors, especially farmers, perceived as the benefits of ethical value chains adoption.

At the beginning of this thesis, I have stated the research questions that are central to this study. Before going further into my discussion, it would be beneficial to revisit the questions that I am trying to answer through this thesis, which are stated below:

Main question:

What is the nature and evolution of the adoption of ethical value chains for Kerinci cinnamon?

Sub-questions:

1. How is the concept of ethical value chains being implemented in the case of Kerinci cinnamon?
2. What are the factors that prompted chains actors to participate in the ethical value chains?
3. What have been the perceived benefits of the implementation of ethical value chains for the relevant actors, such as farmers, buyer and intermediaries?

Informed by the findings that have been presented in the previous chapters, I will address the above sub-questions in the three sections that follow, by highlighting the dynamics of the ethical value chains implementation, discussing them in relation to the global literature on ethical value chains.

7.2 A Question of Implementation

The findings of my study have shown that the conventional value chains for Kerinci cinnamon were characterised by many layers of actors, information asymmetry along the chains, as well as unsustainable cultivation and harvesting practices. All of these factors contributed to low farm-gate prices, which was considered the biggest challenge facing farmers for many decades. (Ardi et al., 2015), in regards to the profit margin made along the chains, *toke* is the actor that enjoys the highest benefits in the chains. This condition was slowly improving for a group of farmers in my case study, following their adoption of ethical practices and when consequently this group of farmers shifted from the conventional chains to ethical value chains. As stated in chapter 5, there are three ways through which ethical value chains for Kerinci cinnamon was implemented, namely through the establishment of TAKTIK organisation, organic farming, and through GI protection.

The three means of ethical value chains adoption mentioned above are interconnected. However, I argue that the establishment of TAKTIK was central to the implementation of ethical value chains for Kerinci cinnamon, for a number of reasons. Firstly, it is because it was through this organisation that farmers engaged in ethical practices. TAKTIK provides an avenue for its members to engage in dialogue among themselves and with external actors. These dialogues allow farmers to identify the challenges in cinnamon farming and to subsequently identify the ways to overcome them. According to my interviewees, the capacity building activities that were carried out through TAKTIK were said to be beneficial for members of the organisation, and have helped them in facing the challenges related to cinnamon farming. Secondly, by uniting themselves into an organisation, farmers now have a stronger position and consequently have better bargaining power in the value chains. Being able to sell their cinnamon harvest to TAKTIK at higher prices has also provided member farmers with some security regarding their income from their cinnamon crops. In this study, creation of added value also happens in TAKTIK through its business unit, particularly with the introduction of cinnamon stick products.

The adoption of organic farming and the obtaining of organic certification are also an integral part of the ways that ethical value chains are taking shape in this case

study. In a study on the adoption of organic farming by cocoa farmers in Belize, Crucefix (1998) argued that the introduction of organic cocoa as cash crops has helped marginalised regions to integrate into Belize's national economy. This may also be the case for Kerinci cinnamon farmers who have learned and begun to adopt organic farming techniques for their intercrops and sustainable cultivation and harvest processes for their cinnamon. Although farmers have not already experienced the monetary benefits of organic farming, the promise of getting a premium from selling their certified organic cinnamon products is already an incentive for them to practice organic farming. However, since the organic certificate had only been obtained fairly recently after the data collection period of this study, it is still unclear how the premium would be transferred back to the community. This leaves us with a question about the mechanism of transferring the benefits and how to ensure that all actors, especially farmers, are benefitting from this premium.

Figure 14 Signage of organic certification to be placed at TAKTIK members' certified farms



(Source: Author, 2016)

Raynolds (2008) noted that there was a reversed dominance in the value chains that resulted from the mainstreaming of organic products, in that now buyers have

more power through their demands. However, Raynolds also suggested that producers' position could be strengthened through a strong producers' association and their engagement in a transnational movement. This could be a good lesson for TAKTIK to learn from, especially in maintaining their united voice and to further strengthen their position in the value chains, which could be done, *inter alia*, by transforming the organisation into a farmers' cooperative. Doing so could open up opportunities for TAKTIK to access financial support from the local government or from the local financial institutions. Furthermore, as a cooperative with better financial capability TAKTIK would be able to expand their coverage by engaging more members from other villages in Kerinci.

It is worth noting, however, that VECO Indonesia and Mitra Aksi have substantial contributions in bringing about the changes mentioned above. The findings of this study suggest that the changes happened as a result of the value chains intervention initiative of VECO Indonesia, which was carried out in the field by Mitra Aksi. These two NGOs facilitated the establishment of TAKTIK and promoted the adoption of sustainable agricultural practice, including organic farming, for the members of TAKTIK. Furthermore, although now TAKTIK members have, to a certain extent, become aware of the challenges in regards to cinnamon agribusiness and the ways to overcome them, that process happened largely with the assistance from Mitra Aksi and VECO Indonesia. This then supports the notion stated by Mawardi (2009) and Arifin (2013), about the pivotal role of external actors such as NGOs and academic institutions in Indonesia, in helping to facilitate capacity building and to implement sustainability principles. Furthermore, although neither VECO Indonesia nor Mitra Aksi expressly stated that their aim was to promote ethical value chains, the two NGOs have actually fostered ethical practices through the promotion of organic farming and sustainable agricultural practices, by linking farmers to high value markets, and advocating an inclusive approach to the buyer.

Apart from the establishment of the TAKTIK organisation and organic certification, Geographical Indications protection for Kerinci cinnamon is another way ethical values are embedded into the Kerinci cinnamon value chains. Unlike the other two efforts, however, this is the only means of ethical value adoption in which there

is a direct involvement from the Government of Indonesia (GoI) from its conception to its final steps. Similar to the cases of other GI protection in Indonesia, the initiative for GI protection for Kerinci cinnamon came from the GoI, signifying a top-down approach to the process. Almost all elements of the Kerinci cinnamon value chains are represented in the Community for the Protection of Geographical Indication for Koerintji Cinnamon Jambi (MPIG-K2J). Regrettably, the findings from this study show that even the farmers whose names are stated as part of the MPIG-K2J did not have a sound understanding of the issue, suggesting that the consultation process might not have been carried out in the way it was intended. This situation is unfortunate because the GI registration process of Kerinci cinnamon could have been a good example of a synergy between all value chains actors and the government. This case, after all, is not unique to the GI for Kerinci cinnamon. A similar situation has had happened previously in Indonesia, particularly in the process of GI registration for Muntok White Pepper, where consultation processes were done poorly, in which not all relevant stakeholders were engaged (Durand & Fournier, 2015).

As one of the most popular means of ethical value chains adoption, fair trade practices and its certification have not yet been done officially for Kerinci cinnamon commodity. It is however something that ATN as the buyer/exporter aspires to achieve in the future. From ATN's point of view, obtaining organic certification is an important step towards fair trade adoption. Interestingly, despite fair trade not being officially adopted in the Kerinci cinnamon value chains, there are elements of fair trade principles that were observed in the business practice of TAKTIK and ATN. With seven out of the World Fair Trade Organisation's 10 fair trade principles (WFTO, 2013) that are seen in TAKTIK and ATN's business practice, it shows that value chains actors are going one step in the right direction towards strengthening their ethical practices. Admittedly, all of the instances of how fair trade principles are present in the Kerinci cinnamon value chains were taken at face value. Take for example, the adherence to principle five: ensuring no child labour. This was something that was observed at the organisation's business unit level and not something that could be guaranteed at the farmers' household level. In the local context, it is common for children to help their parents to work on the farm during their free time. Helping their parents on the farm

is something that is expected and is a culturally accepted way of showing children's dedication to their family. Moreover, the business practice that did not occur within the case study area was consequently unobservable and therefore was not included in the analysis. Evaluating Kerinci cinnamon value chains strictly against the 10 fair trade principles requires a different methodology and a deeper analysis, and is beyond the scope of this thesis. Nevertheless, this means that there is already some kind of foundation for ATN and TAKTIK to pursue fair trade and that this should be seen as an opportunity for TAKTIK and ATN to improve their business practice in order to achieve that.

Another interesting dynamic of the ethical value chains implementation for Kerinci cinnamon was the changes that happened to value chains actors when examined using Bolwig et al. (2010) four kinds of actors and four kinds of change in value chains. Within the alternative value chains, there is a repositioning of actors, particularly farmers and buyers/exporters. Under this new term, farmers potentially have a stronger and more or less equal position to buyer/exporter because they are now represented by TAKTIK and they have learned to comply with international standards through the organic certification. Meanwhile, under their agreement with TAKTIK, ATN no longer acts as a mere exporter who sources their supply from a local merchant. The alternative chains are shorter and more efficient with the expulsion of value chains actors, namely *toke* and *saudagar*. *Toke* and *saudagar* became the expelled actors from the chains, which allow the channelling of benefits directly from buyer/exporter to the farmers. This kind of restructuring was also present in the Indonesian smallholder coffee systems following the adoption of the GI protection scheme (Neilson, 2008). Consequently, this brings us to the issue of value chains governance. In the conventional chains, *toke* is the dominant player that has the power to set the farm-gate prices. In the ethical chains, while prices are agreed between ATN and TAKTIK, ATN is the one with bigger financial capital and the one prescribing the quality standards according to the demands of the consumers, they therefore still retain the dominance in the alternative chains. From this instance we can see that there is a degree of similarity between the conventional chains and the

ethical chains, however, in this case ATN exercises the power differently from that of *toke*.

7.3 Different Actors, Different Factors, One Affinity

As we learned from the findings in this study, there are various factors that prompted value chains actors into participating in the ethical value chains. There are even factors that prompted external actors into promoting ethical practices. In this section I will discuss the key factors and how they interact with one another.

Firstly, as a spice trading company whose goal is to establish sustainable partnerships, through promotion of traceability, and production of sustainable and safe products, ATN is living the sustainability principles of the company itself. Moreover, the findings show that adopting ethical principles is a way for ATN to adhere to the market demands for traceable organic products. The highly competitive spice market has also prompted ATN to be more creative in their business endeavour by adding values to the products. Having shifted their position from a mere trader who bought their supply from the regional merchants to a buyer with a direct link with the farmers, ATN have become more hands-on in their business practice.

Meanwhile, as external actors, VECO Indonesia and Mitra Aksi have a different agenda from that of buyer, in regards to their promotion of ethical value chains. As stated in chapter 6, VECO Indonesia has a goal of doing value chains intervention that is directed to both the buyers' and farmers' ends. Meanwhile, Mitra Aksi as VECO Indonesia's implementing partner has a goal to promote sustainable livelihoods for Kerinci farmers. The common goal of improving the livelihood of farmers and realising more equitable commodity trade materialised in the programmes they conducted in the field with TAKTIK. In this case, NGOs have the pivotal role of being the intermediaries that facilitated positive changes in the Kerinci cinnamon value chains. In that sense, both VECO Indonesia and Mitra Aksi have carried out their mission adequately. However, further into the implementation, conflicting ideas between the two NGOs began to appear, in particular regarding ideas about when TAKTIK should enter into a direct business relationship with a buyer. As stated in my findings, VECO urged TAKTIK to independently go into business with ATN, which commenced in

2015. Mitra Aksi on the other hand, believed that TAKTIK still required intensive guidance in doing business and navigating the markets.

In my opinion, that concern is valid due to the age of the organisation and the members' previous organisational experience. TAKTIK was established in 2013 with five villages and began to grow bigger in size in 2014 with three additional villages being engaged as members. During this short period the cinnamon farming community underwent a significant change with the members of TAKTIK learning new farming techniques, being trained in organisational skills, and consequently being expected to perform according to the standards. While these changes tend to be positive in nature, they all happened in a short period of time. Considering that TAKTIK only had two years from the time the organisation was established to the time they started doing business, combined with the dynamics that happened during that period, there is a question of farmers' readiness to enter the market and to retain their position in the value chains. This points to the importance of continued support for intermediaries, as suggested by Challies and Murray (2011), so that farmers are not only able to enter the market but are also able to retain their position and ethical practices. The support in the field can be given by the two NGOs, while policy support will be required from the government.

Another critique arose in relation to the choice of ATN as the value chains intervention target. ATN was chosen because the company shared the common values with VECO Indonesia, and in that sense they are already a "green company". While this makes the intervention easier to do and their target easier to achieve, I argue that a more significant impact in the Kerinci cinnamon value chains could have been achieved had VECO Indonesia worked with a conventional trading company.

The factors that prompted farmers into adopting the ethical practices were analysed by looking at which factors prompted the establishment of TAKTIK and the factors that prompted farmers to join the organisation. The findings of this study show that TAKTIK was established predominantly due to the project carried out by Mitra Aksi and VECO Indonesia. And the farmers consequently joined the organisation because they were the beneficiaries of the project. However, assuming that farmers only participate in ethical value chains because of the pressure from

these external actors would mean that we are undermining the agency of the farmers and their intrinsic motivation to adopt the ethical practice. It was also shown in my findings that despite their lack of power in changing the condition of the cinnamon value chains, farmers were already aware of some perpetuating issues such as low farm-gate prices and scarcity of local employment. For Kerinci people, cinnamon embodies more than just an economic value. There are also cultural values that are associated with the spice, with the Kerinci people referring to it as an ancestral plant. Kerinci people also have a strong cultural tie with their land. Because they have inherited the farms from their ancestors they see it as something that they need to preserve. It is assumed that with this sense of responsibility, Kerinci people were eager to reinvigorate the cinnamon industry after its decline in the early 2000s. In doing so, the farmers have upheld their cultural responsibility and have helped improve their own livelihood. Aside from the economic and cultural factors, social factors played a big role in attracting farmers to become part of the ethical chains. This was shown in the findings with many participants stating that they joined the organisation because of invitations from their friends or relatives. This indicates the strong social ties that exist among Kerinci people, which should be taken into consideration by any actors who are working on development projects or looking into doing development work in the area.

7.4 There are Benefits, but are There Costs of Ethical Value Chains Implementation?

In examining the benefits of ethical value chains adoption, participants were asked to express what they perceived as being the benefits of having the TAKTIK organisation and practicing organic farming. As stated in chapter 6, adoption of ethical value chains for Kerinci cinnamon is something that is new for everyone involved in the chains, particularly the farmers. There are three key themes in terms of perceived benefits, they are: higher farm-gate prices; capacity building and creation of job opportunities; and environmental benefits. The benefits of GI protection are still unfolding as projected benefits due to it only being established recently.

Firstly, the findings show that there is a consensus among the farmers about what they perceived as the most prominent benefit of the ethical value chains. Higher farm-gate prices are given to members of TAKTIK who sell their cinnamon harvest to the business unit. These prices are agreed between ATN and TAKTIK, in which cost of labour and added value are taken into consideration. This matter was almost always the first thing that was mentioned by farmers upon being asked about the benefits of becoming members of TAKTIK. This is unsurprising because higher prices were also the immediate and more tangible change that the farmers experienced. There was also a promise of a guaranteed price which would not be impacted by declining market prices. But with this lies a question about the sustainability of this benefit. Are the high prices TAKTIK is given right now sustainable? Having learned that in some cases the premium from ethical certification did not directly benefit the smallest producers (Ruben & Fort, 2012; Valkila, 2014), I argue that care should be taken by Kerinci cinnamon value chain actors in regards to the transfer of premium to farmers. There is also a question of whether TAKTIK can maintain the quality standards that are imposed on them. This is crucial because upholding quality is the basis of earning the premium. Financial transparency is crucial and all value chain actors would need to oversee this matter. External actors such as NGOs and local government could also help in ensuring transparency.

Secondly, the adoption of ethical value chains also brought about positive change in the local community in that it has provided the community with locally available jobs. Similar benefit was also found in China and Sri Lanka following the adoption of organic and fair trade systems, where it had the impacts of increased income, better market access for farmers, and the ability to retain people from seeking employment outside of their villages, especially for women (Qiao et al., 2016). TAKTIK has opened up job opportunities for people from Talang Kemuning and the surrounding villages. Most of the people employed by TAKTIK's business unit are women farmers. Being able to work at TAKTIK has given each of them a more stable income on top of their income from farming and an opportunity to contribute to their family's economy. If TAKTIK expanded its operations by opening a branch of its

business unit in each of the member villages, more employment could be created outside of Talang Kemuning village and more people would experience this benefit.

The benefits of ethical value adoption are also experienced in the form of ecological benefits. Even though Kerinci cinnamon is inherently organic, inorganic inputs had been used for intercrop cultivation in the case study. Farmers used chemical fertilisers and insecticides before they learned that they can use organic input and get a better quality harvest. Practicing organic farming has helped farmers in rejuvenating the quality of the soil. Admittedly, this assertion of ecological benefits is based on the claims made by some interview participants. Not many participants were able to recall what they perceived as environmental benefits. This is perhaps because organic farming is a new concept for this community. It is then an opportunity for TAKTIK to further disseminate knowledge and skills on organic farming, and for the organisation to conduct more regular monitoring of the conditions of their members' farms.

Unlike the benefits of having TAKTIK organisation and the organic farming that are already experienced by farmers, the benefits of GI protection for Kerinci cinnamon are still seen as projected benefits because of its new status. The findings show that one of the projected benefits is the legal protection for the spice against misnomer along the value chains. As a place-based name protection, GI for Kerinci cinnamon is also projected to have social and cultural benefits, through which the name of the Kerinci district as the producing area would be more well known. The GI protection is also projected to boost the local economy through the sales of the value added Kerinci cinnamon. Similar to the benefits of a premium from organic certification, there still needs to be a clear and transparent mechanism of transferring the benefits of GI back to the community.

Along with the implication of benefits discussed above, there are a number of drawbacks from the adoption of ethical value chains for Kerinci cinnamon, which surround the issues of knowledge diffusion and marginalisation. TAKTIK has many members and has undertaken numerous capacity building activities for its members and as a result, the knowledge of its members on issues regarding the cinnamon value chains have generally improved. However, there seemed to be some degree of

uneven knowledge diffusion among TAKTIK's members. From the findings, it can be implied that knowledge seems to be concentrated around the officials of the organisation. For example, some farmers are still unaware of who consumes their products and of the process of organic certification. Moreover, some officials who are not directly involved in the certification process did not have a sound understanding about this matter. This is a challenge that TAKTIK needs to address in order to fully benefit their members and achieve their mission to actualise exploitation-free and environmentally friendly agriculture through fair marketing systems.

Furthermore, the findings suggest that marginalisation could be a potential drawback from GI protection for Kerinci cinnamon. The process of obtaining GI involved various elements of the Kerinci society, namely local government, customary leaders, business representative, and the farmers' community. However, GI protection only applies to cinnamon from four sub-districts in Kerinci, while in reality these are not the only cinnamon producing areas in the district. Therefore, the GI protection has the potential to marginalise cinnamon farmers from other areas in Kerinci. Similar cases of marginalisation as the impact of GI have been reported, such as by Mancini (2013) in her study on GI protection for an Argentinean cheese product, and by Jena and Grote (2012) in their study on GI for Basmati Rice. There are measures that can be taken by these other farmers in Kerinci, to meet the criteria for GI protection, although it might not be achieved for a long time, given the nature of cinnamon cultivation and the local environmental condition. Nonetheless, concerted efforts need to be taken by producers, government and MPIG-K2J to help other producers in Kerinci to become part of MPIG-K2J and consequently gain GI protection for their cinnamon. Another form of marginalisation occurs not particularly as a result of GI protection, but as the impact of the Kerinci cinnamon industry in general. This marginalisation is experienced by the domestic consumers of the spices. While all the positive changes above will benefit the producers, their positive impacts might not be experienced by the domestic consumers, considering the focus of the production that is aimed to meet the demands of the overseas markets. This should be seen as an opportunity for value chains actors to also pay attention to the domestic

consumers of Kerinci cinnamon. I argue that addressing the domestic consumers using the same ethical standards will help boost the domestic markets of Kerinci cinnamon.

7.5 Concluding Thoughts

This thesis aimed to investigate the nature and evolution of the adoption of ethical value chains for Kerinci cinnamon. In trying to answer this central question, I posed three sub-questions: regarding the implementation of the ethical value chains concept; the factors that prompted actors into adopting the ethical values; and what have been the perceived and projected benefits of the ethical value chains adoption. A case study was done on a group of cinnamon farmers in Kerinci district that is known for having adopted the ethical value chains in their business practices. The previous section discussed the findings of this thesis in relation to the dynamics that happen in the value chains, as well as in relation to the potential issues that might arise from adopting this alternative concept. In this section, I will provide some concluding thoughts by reflecting on the research process and by defining the implication of this case study on the value chains framework.

7.5.1 Reflection on Research Process

As mentioned at the beginning of this thesis, there is still a scarcity of empirical studies on ethical value chains in Indonesia, and on the ethical value chains for the spices industry globally. The few studies found used a particular perspective exclusively as their analytical framework, be it economy or agriculture. The process of conducting this research has helped me to be more appreciative of the interdisciplinary nature of Development Studies, a quality that fosters an inquiry that is enriched with impactful elements and is considerate of varying perspectives. Indeed, this research was conducted on a small scale using a subset of the Kerinci cinnamon farming community as the case study. It is by no means the objective of the study to have the findings viewed as being representative of the conditions of the whole Kerinci cinnamon industry. With regards to ethical value chains being implemented as a result of two NGOs' value chains intervention programmes, I found it to be a challenge in itself to not let this study become an evaluation of VECO Indonesia or Mitra Aksi's programme or to be too critical of the hard work of all the

parties involved in the programme's implementation. There are some elements of this study that will benefit from improvement, such as the length of fieldwork period and the selection of interview participants. Future studies may consider using a larger number of interview participants and incorporating the views of the government, both at local and national levels, which in return would provide a way for richer analysis.

7.5.2 Implication of this Case Study for Value Chains Framework

This thesis used the value chains framework to inform its analyses. While this case study is unique, the issues found in the case study reflect the dynamics that have happened in other cases globally. Moreover, while the dynamics reported in the findings are specific to the case of the TAKTIK farmers' organisation, they reflected the argument posed by the global value chains framework. It was argued that in value chains governance the dynamics that happen within the value chains do not occur as an automatic process; "these processes are initiated and institutionalised in particular forms as a result of strategizing and decision making by particular actors" (Gibbon et al., 2008, p. 319). In this study, dynamics happened as a result of the strategies set forth by NGOs and ATN, which to some extent put farmers under pressure. However, I also highlighted the agency of these farmers to realise the challenges of their livelihoods and to take up on the positive change that was offered by the NGOs and ATN. On the other hand, I argue that the practice of ethical value chains has not been able to address the issue of power relations amongst value chain actors, with buyer still being the dominant actor.

The findings of this study also contributed to the notion that sees the global value chains theory of being too economic and merely using firms as its units of analysis (Bidwell, Murray & Overton, 2015). Taking on the critics' suggestion to complement the framework with micro level studies, this thesis incorporated ecological, livelihood, and national policy aspects into the analyses. The use of these aspects has allowed the discussion to highlight a number of key themes, namely the dynamics of implementation, governance, timing, knowledge diffusion and economic sustainability. Enriching the value chains framework with the ecological, livelihood and national policy aspects has allowed this study to examine the evolution of ethical

value chains of Kerinci cinnamon and its development potentials, in particular for the community being researched and the farming communities in Kerinci in general. Finally, I would like to reiterate that this study has found that the ethical value chains of Kerinci cinnamon evolved as the result of the intervention of intermediaries. This evolution of ethical chains adoption has created value for farmers through the social, economic, and environmental benefits, and for the buyer by allowing them to market their products as environmentally friendly and socially just. Nevertheless, care should be taken to ensure its sustainability and that the benefits are channelled appropriately to all actors in the chains, which calls for the crucial oversight role of the local government, academics and civil society organisations.

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APPENDICES

Appendix I: Interview guides

Questions for Producers:

1. Are you originally from Kerinci?
2. Do you have any children?
3. How did you first get involved in cinnamon farming?
 - i. When?
 - ii. Can you tell me more about how you set up?
4. Is it your primary source of income?
 - i. If so, does it cover your needs?
 - ii. If not, is there any other source of income?
 - iii. What percentage of income, approximately, comes from cinnamon?
5. Do you own the land you work on?
 - i. What is the size of the land?
 - ii. How many trees?
 - iii. How mature?
 - iv. When were they planted?
6. Can you tell me about your cinnamon farming practices?
 - i. Seeds?
 - ii. Cultivation methods and periods?
 - a. Do you use intercropping?
 - iii. Use of pesticides or herbicides?
 - iv. How about the harvesting?
 - a. Do you need extra labour?
 - b. How are they organised?
7. Sale of products
 - i. Who do you sell your products to?
 - a. How did you come to know them?
 - ii. In what form (barks, sticks or powder)?
8. Awareness of Indonesian cinnamon value chains (conventional and ethical)
 - i. What does the system look like from here?
 - ii. Do you know who consume your products?
9. Involvement in farmers' cooperative
 - i. Are you involved in farmers' cooperative?
 - ii. How long have you been involved?
 - iii. Why did you want to get involved?
 - iv. What are the benefits?
 - v. What has been the role(s) of the cooperatives?
10. Involvement in certification process (if any)
 - i. What certification schemes are you involved in?
 - ii. Why did you get involved in it?

- iii. What has changed since you participated in the certification?
 - a. Positive? (benefits)
 - b. Negative? (cost)
 - iv. Have there been changes in the community following the certification?
 - a. Positive?
 - b. Negative?
 - 11. Challenges they face in doing cinnamon farming
 - i. What have been the challenges you faced in doing cinnamon farming?
 - ii. Has the certification helped you in any way?

Questions for Community Facilitators or Organisation's Official:

- 1. Knowledge of cinnamon farming
 - i. What is the name of your organisation?
 - ii. When and how did it start?
 - iii. What have you learned about the industry?
- 2. Awareness of Indonesian cinnamon value chains (conventional and ethical)
 - i. Do you know who the actors are?
 - ii. Do you know who consume their products?
 - iii. In the case of conventional value chains, who do they think benefitted the most amongst the actors?
 - iv. What have been the differences between the old practices and the new practices
 - a. When did the change start?
 - b. Why?
- 3. Challenges faced by farmers and/or the communities
 - i. What have been the challenges in the last 5 years?
 - ii. How were they overcome?
- 4. The role of cooperatives for cinnamon farming
 - i. When was it established?
 - ii. What has been the role of cooperatives for cinnamon farmers?
 - iii. What have changed since farmers organised themselves into cooperatives?
 - iv. What do you think have been the benefits for farmers from joining cooperatives?
- 5. Perception of the benefits for farmers in participating in certification
 - i. Are the farmers involved in any certification scheme?
 - ii. When was the certification scheme started?
 - iii. What have changed since farmers participated in certification scheme?
 - iv. What do you think have been the benefits for farmers from getting certified?
- 6. Outsiders influence on the adoption of ethical value chains for cinnamon commodity

- i. Were there other parties who came up with the idea of ethically trading Indonesian cinnamon?
- ii. If so, how was it set up and applied?
- iii. How was the reception by producers?

Questions for Village Head:

- 7. Background information about the village:
 - i. How many people live in this village?
 - ii. Are the majority of people cinnamon farmers?
 - iii. How long has it been a cinnamon farming community? Could you tell me the history?
- 8. Cinnamon farming in general:
 - i. Are you involved in cinnamon farming?
 - ii. Are you aware of any certification process?
 - iii. What are the main issues faced by cinnamon farmers in the village? How were they overcome?
 - iv. What kind of improvement do you think would be beneficial for the community?
- 9. About TAKTIK Farmers' Organisation:
 - i. What kind of impact has the organisation given to the community?
 - ii. What have been the benefits of the organisation for the community?

Questions for NGO's Representatives:

- 1. What is the name of your organisation?
- 2. What is your role within the organisation?
- 3. Could you tell me about your organisation's involvement in cinnamon farming/trade?
- 4. Why did your organisation choose to get involved in cinnamon value chains?
- 5. Can you describe the value chains from your perspective?
- 6. Have you engaged any company to collaborate with in your programme?
- 7. Is your organisation assisting TAKTIK with any certification process?
- 8. Why do you think it is important to get certified?

Questions for Buyers:

- 1. Regarding the company:
 - i. Could you tell me briefly about your company?
 - ii. What is your role within your company?
 - iii. Could you tell me about your company's involvement in cinnamon trading?

2. Cinnamon Value Chains in general:
 - i. Could you describe the value chains from your perspective?
 - ii. Which countries do you export to?
 - iii. Could you describe the current spices market condition?
3. Relationship with TAKTIK Farmers' Organisation:
 - i. How did you first come into contact with TAKTIK?
 - ii. What is the nature of your company's relationship with TAKTIK?
 - iii. Your company is assisting TAKTIK with organic certification; Why is it important to get certified?
 - iv. What other support do you give TAKTIK other than organic certification?
 - v. Are you doing similar scheme for other commodities or with other farmers' organisations?

Appendix II: Interview Consent Forms



Ethical Value Chain of the Indonesian Cinnamon Industry

CONSENT TO INTERVIEW

This consent form will be held for [5] years.

Researcher: *Theresa Sila Wikaningtyas, SGEES, Victoria University of Wellington.*

- I have read the Information Sheet and the project has been explained to me. My questions have been answered to my satisfaction. I understand that I can ask further questions at any time.
- I agree to take part in an audio recorded interview.

I understand that:

- I may withdraw from this study up to *four weeks* after the interview, and any information that I have provided will be returned to me or destroyed.
- The information I have provided will be destroyed 3 years after the research is finished.
- Any information I provide will be kept confidential to the researcher and the supervisor. I understand that the results will be used for a *Masters* report and a summary of the results may be used in academic reports and/or presented at conferences.
- My name will not be used in reports, nor will any information that would identify me.
- *[OR]* I consent to information or opinions which I have given being attributed to my name in any reports on this research: Yes ☐ No ☐
- *[OR]* I consent to information or opinions which I have given being attributed to my organisation in any reports on this research: Yes ☐ No ☐
- I would like a summary of my interview: Yes ☐ No ☐
- I would like to receive a copy of the research summary and have added my email address below. Yes ☐ No ☐

Signature of participant: _____

Name of participant: _____

Date: _____

Contact details: _____

Rantai Nilai Etis Industri Kayumanis Indonesia

PERSETUJUAN UNTUK DIWAWANCARA

Lembar persetujuan ini akan disimpan selama lima (5) tahun.

Peneliti: *Theresa Sila Wikaningtyas, SGEES, Victoria University of Wellington.*

- Saya telah membaca lembar informasi dan saya telah mendapatkan penjelasan tentang penelitian ini. Saya telah mendapatkan jawaban yang memuaskan atas pertanyaan saya terkait penelitian ini. Saya paham bahwa saya boleh bertanya lebih lanjut, kapanpun saat wawancara ini berlangsung.
- Saya setuju bahwa wawancara ini akan direkam.

Saya mengerti bahwa:

- Saya boleh mengundurkan diri dari penelitian ini selambat-lambatnya empat minggu setelah wawancara, dan segala informasi yang telah saya berikan akan dikembalikan kepada saya atau dihancurkan.
- Informasi yang telah saya berikan akan dihancurkan 3 (tiga) tahun setelah penelitian ini selesai.
- Segala informasi yang saya berikan akan dijaga kerahasiaannya oleh peneliti dan pembimbingnya. Saya paham bahwa hasilnya akan digunakan untuk laporan penelitian tingkat Magister dan ringkasannya mungkin akan digunakan dalam laporan dan/atau dipaparkan pada konferensi akademis.
- Nama saya tidak akan digunakan di dalam laporan, dan tidak ada informasi yang dapat digunakan untuk mengidentifikasi diri saya.
- [atau] Saya setuju bahwa informasi atau pendapat yang telah saya ungkapkan Ya ☐ Tidak ☐
dapat dikaitkan dengan diri saya, dalam laporan penelitian ini:
- [atau] Saya setuju bahwa informasi atau pendapat yang telah saya ungkapkan Ya ☐ Tidak ☐
dapat dikaitkan dengan organisasi saya, dalam laporan penelitian ini:
- Saya ingin mendapatkan ringkasan wawancara saya: Ya ☐ Tidak ☐
- Saya ingin mendapatkan salinan laporan akhir penelitian dan sudah Ya ☐ Tidak ☐
mencantumkan alamat email saya di bawah ini.

Tanda Tangan Peserta: _____

Nama Peserta: _____

Tanggal: _____

Kontak: _____

Appendix III: Participants Information Sheets



Ethical Value Chain of the Indonesian Cinnamon Industry

INFORMATION SHEET FOR PARTICIPANTS

Thank you for your interest in this project. Please read this information before deciding whether or not to take part. If you decide to participate, thank you. If you decide not to take part, thank you for considering my request.

Who am I?

My name is Theresa Sila Wikaningtyas and I am a *Masters* student in Development Studies at Victoria University of Wellington. This research project is work towards my Thesis.

What is the aim of the project?

Cinnamon farming has long been a part of the lives of people in Kerinci. Its benefits have been enjoyed by many people around the world. This study aims to investigate the nature and evolution of the ethical value chains of Indonesian cinnamon and its benefits as perceived by the producers.

This research has been approved by the Victoria University of Wellington Human Ethics Committee No. 22896.

How can you help?

If you agree to take part I will interview you in a public place, such as a *warung* or a community hall. I will ask you questions about cinnamon farming and trading practices. The interview will take more or less 30 minutes. I will record the interview and write it up later. You can stop the interview at any time, without giving a reason. You can withdraw from the study up to four weeks after the interview. If you withdraw, the information you provided will be destroyed or returned to you.

What will happen to the information you give?

Unless you agree to be identified using your name or your organisation's name, I will not name you in any report or include any information that would identify you. You can state this agreement in the consent form provided. Only I will read the notes or transcript of the interview. The interview transcripts, summaries and any recordings will be kept securely and destroyed 3 years after the research ends.

What will the project produce?

The information from my research will be used in my *Masters thesis*. I may also use the results of my research for conference presentations, and academic reports. I will take care not to identify you in any presentation or report, unless you stated otherwise in the consent form.

If you accept this invitation, what are your rights as a research participant?

You do not have to accept this invitation if you don't want to. If you do decide to participate, you have the right to:

- choose not to answer any question;
- ask for the recorder to be turned off at any time during the interview;
- withdraw from the study up until four weeks after your interview;
- ask any questions about the study at any time;
- receive a copy of your interview recording (if it is recorded);
- read over and comment on a written summary of your interview;
- agree on another name for me to use rather than your real name;
- be able to read any reports of this research by emailing the researcher to request a copy.

If you have any questions or problems, who can you contact?

If you have any questions, either now or in the future, please feel free to contact either:

Student:

Name: T. Sila Wikaningtyas

University email address:
sila.wikaningtyas@vuw.ac.nz

[Note: students should not provide
personal cell phone numbers]

Supervisor:

Name: Prof. Warwick Murray

Role: Supervisor

School: School of Geography, Environment
and Earth Sciences

Phone: +64-4-4635029

Email: Warwick.Murray@vuw.ac.nz

Human Ethics Committee information

If you have any concerns about the ethical conduct of the research you may contact the Victoria University HEC Convener: Associate Professor Susan Corbett. Email susan.corbett@vuw.ac.nz or telephone +64-4-463 5480.



Rantai Nilai Etis Industri Kayu Manis Indonesia

LEMBAR INFORMASI PESERTA

Terima kasih atas minat Bapak/Ibu terhadap penelitian ini. Silakan baca lembar informasi ini sebelum melanjutkan keikutsertaan Bapak/Ibu. Terima kasih jika bapak/Ibu bersedia untuk menjadi peserta penelitian ini. Jika tidak bersedia, terima kasih karena telah mempertimbangkan permohonan saya.

Siapa saya?

Nama saya T. Sila Wikaningtyas, saya biasa dipanggil Sila. Saat ini saya sedang melaksanakan studi di tingkat S2 dengan jurusan Studi Pembangunan di Victoria University, di Wellington, Selandia Baru. Penelitian ini adalah bagian dari tugas akhir saya.

Apa tujuan dari penelitian ini?

Pertanian Kayu Manis sudah lama menjadi bagian dari kehidupan warga Kerinci. Rasa manisnya pun sudah dinikmati oleh jutaan orang di seluruh dunia. Penelitian ini bertujuan untuk mempelajari perkembangan rantai nilai Kayu Manis Kerinci dan manfaat yang didapat oleh pihak-pihak yang terlibat dalam perdagangannya, terutama para petani.

Penelitian ini sudah mendapatkan persetujuan dari Komite Etik Manusia di Victoria University of Wellington [No persetujuan: #22896].

Apa bantuan yang bisa Bapak/Ibu berikan?

Jika Bapak/Ibu bersedia, maka saya akan mewawancarai bapak/ibu di tempat umum, seperti Balai Desa atau warung terdekat. Saya akan memberikan pertanyaan seputar kegiatan pertanian Kayu Manis yang selama ini bapak/ibu jalani. Wawancara ini akan berlangsung kurang lebih selama 30 menit. Saya akan merekam wawancaranya untuk saya catat kemudian. Bapak/Ibu boleh menghentikan wawancara kapanpun, dengan alasan apapun. Jika berubah pikiran, bapak/ibu boleh membatalkan keikutsertaannya, paling lambat 4 minggu setelah tanggal wawancara. Jika bapak/ibu batal ikut serta, informasi yang sudah diberikan kepada saya akan dihancurkan atau dikembalikan.

Bagaimana dengan informasi yang sudah saya berikan?

Dalam penelitian ini, kerahasiaan sangat kami jaga. Saya tidak akan menyebut nama Bapak/Ibu dalam laporan saya, jika bapak/ibu keberatan. Silakan memilih pernyataan yang sesuai di lembar persetujuan terlampir. Catatan wawancara hanya akan dibaca oleh saya dan pembimbing saya. Catatan wawancara dan ringkasannya akan disimpan di tempat yang aman dan akan dihancurkan 3 tahun setelah penelitian ini selesai.

Apa yang akan dihasilkan dari penelitian ini?

Informasi yang saya dapat dari penelitian ini akan digunakan dalam Laporan Akhir tingkat Magister. Identitas bapak/ibu tidak akan dicantumkan dalam laporan saya. Hasil dari penelitian ini mungkin akan digunakan dalam berbagai laporan akademis dan konferensi. Identitas bapak/ibu juga tidak akan dicantumkan dalam paparan ataupun laporan tersebut.

Apa hak bapak/ibu sebagai peserta penelitian?

Bapak/Ibu tidak harus menjadi peserta jika keberatan. Tetapi jika bersedia, bapak/ibu berhak untuk:

- tidak menjawab pertanyaan yang diajukan;
- meminta alat perekam untuk dimatikan bila perlu;
- menarik diri dari keikutsertaan paling lambat 4 minggu setelah wawancara;
- bertanya tentang penelitian kapanpun saat wawancara;
- menerima ringkasan wawancara;
- membaca dan memberi komentar tentang ringkasan wawancara;
- meminta agar digunakan nama samara untuk bapak/ibu;
- mendapatkan ringkasan hasil penelitian dengan mengirimkan permintaan lewat email.

Siapa yang bisa bapak/ibu hubungi jika ada pertanyaan lebih lanjut?

Jika ada pertanyaan, silakan hubungi:

Mahasiswa:

Nama: T. Sila Wikaningtyas

Alamat email: sila.wikaningtyas@vuw.ac.nz

[Note: students should not provide personal cell phone numbers]

Pembimbing:

Nama: Prof. Warwick Murray

Peran: Pembimbing

Jurusan: Geography, Environment and Earth Sciences

Telp.: +64-4-4635029

Email: Warwick.Murray@vuw.ac.nz

Informasi tentang Komite Etik Manusia

Jika ada pertanyaan seputar kode etik terkait penelitian ini, anda dapat menghubungi

Victoria University HEC Convener: Associate Professor Susan Corbett. Email susan.corbett@vuw.ac.nz or telephone +64-4-463 5480.

Appendix IV: Human Ethics Approval



Phone 0-4-463 5460
Email susan.corbett@vuw.ac.nz

MEMORANDUM

TO	Theresa Wikaningtyas
COPY TO	
FROM	AProf Susan Corbett, Convener, Human Ethics Committee
DATE	15 May 2016
PAGES	1
SUBJECT	Ethics Approval: 22896 A Case Study of the Indonesian Cinnamon Industry

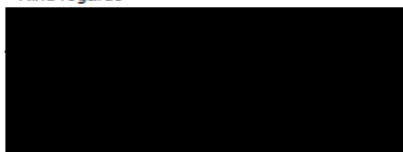
Thank you for your application for ethical approval, which has now been considered by the Standing Committee of the Human Ethics Committee.

Your application has been approved from the above date and this approval continues until 3 March 2017. If your data collection is not completed by this date you should apply to the Human Ethics Committee for an extension to this approval.

Please confirm that all necessary official approvals for you to carry out this research in this region of Indonesia have been obtained.

Best wishes with the research.

Kind regards



Susan Corbett
Convener, Victoria University Human Ethics Committee