

INTEGRATED HORTICULTURE FARMING

Strategic Investment Project Opportunities to Support The Development of The New Capital City Nusantara

EAST KALIMANTAN PROVINCE



MINISTRY OF INVESTMENT/
INDONESIA INVESTMENT COORDINATING BOARD

Project Profile



Integrated horticulture farming is a sustainable agricultural strategy to add economic value to shallot and chili. Shallot and chili are seasonal commodities, so developing downstream products through smart farming technology equipped with cold storage can be an effective manufacturing practice.



The downstream industry of integrated horticulture focuses on plant extracts, namely shallot and red chili paste. These products are the raw materials for Indonesia's fast-growing instant seasoning industry.



On the other hand, shallot and chili paste are still imported, so the development of an integrated downstream agricultural industry plays a role in reducing imports of shallot and red chili paste.

Production Target

Farm Capacity

1,500 tons/year

650 tons/year

Downstream Capacity

1,094 tons/year

456 tons/year

Business Model



Source : KSD Anythab - SudoIndo (analyzed)

Market Opportunity

Supply & Demand

Red Shallot Supply and Demand in East Kalimantan (Tons)



Source : KSD Anythab - SudoIndo (analyzed)

- Fulfillment of the deficit demand for shallots in East Kalimantan is partly attributed to conventional agriculture, which is significantly influenced by seasonal changes and weather conditions.
- Downstreaming holds the potential to be developed into intermediate products, representing one of the strategies to overcome the seasonal characteristics of commodities.

Local Market Potential

Seasoning Industry

The instant seasoning market in Indonesia is characterized by the emergence of various brands, with a growth of 5.3% in the period 2021 - 2023. Practical and modern lifestyles make this industry grow. Shallot paste and chili paste are alternative forms of the primary raw materials in this industry.

Total Instant Seasoning Production per Year

Capacity (ton/year)



Source : Ministry of Industry

Market Target

Local B2B market

The substantial increase in demand for instant condiments plays a pivotal role in the development of this market. The annual growth percentage is projected to be 5.37% for the period 2023-2028.



5.37%
Per Year

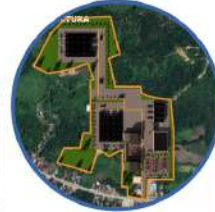
Export B2B market

Shallot paste is mainly exported to Saudi Arabia as an ingredient for Hajj pilgrims (PT. SBI). There is also potential for the export of processed spices to various countries, including Singapore, Saudi Arabia, Nigeria, Timor Leste, etc., according to Trademap.

Project Location



Farming



Processing Plant

Rintik Villages, Babulu Distric,
Penajam Paser Utara Regency

Land Area
65 ha

Land Title(s)
Freehold Title

Land Price
IDR 50 million/ha

Rintik Villages, Babulu Distric
Penajam Paser Utara Regency

Land Area
Industrial Area **5 ha** Cold Storage **1.5 ha**

Land Title(s)
Freehold Title

Land Price
IDR 50 million/ha

Business Field(s)

- KBLI 0154 Market Farming
- KBLI 0183 Chili Farming
- KBLI 10389 Other Processing and Preservation Industry of Non-Food Fruits and Vegetables
- KBLI 10512 Fruit and Vegetable Preservation Industry

Investment Value

IDR 276.07 B

Technical Aspect

Business Scheme

Based on Presidential Regulation 49 of 2021 KBLI Horticulture Cultivation (Shallots and Chili) cooperation with local MSMEs is not required.

Stage 1	Stage 2	Stage 3
Initial Conditions Fulfillment Per Capita Capita 100 Capita	Medium Condition Per Capita Fulfillment Begins to Double	Stable Condition Per Capita Fulfillment Double
Outstanding agricultural development to meet the demand for shallots and chili (1000 tons/year)	The company is a leading crop to develop a shallot chili response to the B2B growth in the existing market	The company is a leading brand in the B2B market in the group of horticulture crops, which encompasses a growth rate of 2.3%
Good land condition for shallot chili cultivation	Good location for shallot chili cultivation and downstream product	Good location for shallot chili cultivation and downstream product
Land Cooperation Downstreaming in response to local purchase interest from the surrounding community	Partner Cooperation Production Partner (Contract) Farmers with experience in growing shallot and chili cultivation	Partner Cooperation Production Partner (Contract) Downstreaming Partner (Contract) with experience in growing shallot and chili cultivation
Labour Cooperation Local community farmers farmers to be engaged in industry cultivation		
Farmer Cooperation As one of the company's CSR activities, the company will provide training, technology and marketing to enable its productivity		

Source : KSD Anythab - SudoIndo (analyzed)

Infrastructure

Clean Water
Availability Babulu Reservoir: 180 l/dt
Availability Taika River: 80 l/dt
Availability Rintik Spring Discharge: 0.5 l/dt
Requirement: 0.5 l/dt
With irrigation technology intervention.

Electricity
Availability: 4 MW
Requirement: 1 MW

Telecommunications
Wireless Telecommunication networks for Telephone and data are already available through 2G BTS towers.

Supporting Facilities
Water reservoirs and boreholes
Irrigation channels
Fog irrigation technology
Agricultural equipment
Drying farm
Natural and artificial fertilizers.

Accessibility

- Access to IKN: 93.9 km, 2 hours
- Access to Penajam Port: 64 km, 1 hour 30 minutes
- Access to Babulu Reservoir: 4.7 km, 6 minutes

Financial Feasibility

CAPEX Capital Expenditure	IDR 216.69 B	NWC Net Working Capital (CAPEX 3 months)	IDR 59.38 B
WACC Weighted Average Cost of Capital	11.06%	NPV Net Present Value	IDR 338.70 B
IRR Internal Rate of Return	13.74 %	PP Payback Period	7 years

FUNDING STRUCTURE
70% Debt
30% Equity

1st year revenue IDR 98.95 billion consists of:



Development Plan



A. Main Entrance B. Mosque C. Management Area D. Shallot Crop Area E. Chili Crop Area A. Main Entrance B. Worship Area C. Parking Area D. Cold Storage E. Warehouse F. Management Area G. Production Factory H. Finishing Area and Loading Dock

Government Support

Technical Policy

- Land Use Policy**
Exemption from import duties on imported machinery as well as goods and materials for construction or industrial development in the context of capital investment.
- Industrial processing activities in the horticultural area are permitted provided that the area does not exceed the extent of horticultural cultivation activities.
 - Kalimantan Provincial Spatial Plan : Located in the horticultural area

Incentives

- Fiscal**
 - MoF Regulations No. 176/2009 Jo. 186/2015
 - Government Regulation No. 12 of 2023*
The Corporate Income Tax (CIT) rate used in this study is 22%. And there is a Tax Holiday for the first 10 years.
- Non Fiscal**
 - Regulation of The Province of East Kalimantan No. 18 of 2016
Investment incentives can be provided in the form of acceleration of land permits, provision of land or locations, provision of advocacy and facilitation, or provision of business facilities and infrastructure.
 - *Depends on the implementation of Global Minimum Tax (GMT) policy

Business Licensing Process in the OSS - RBA System



You can download the business licensing application guide at:

<http://oss.go.id/en/panduan>

Contact Information

Ministry of Investment/Indonesia Investment Coordinating Board
Directorate of Natural Resources Planning

- ☎ (+62) 21 5225837
- ✉ tu.ditpias@bkpm.go.id
- 📍 Jl. Jend. Gatot Subroto No. 44, Jakarta 12190, Indonesia
- 🌐 <http://regionalinvestment.bkpm.go.id/>



SUSTAINABLE DEVELOPMENT GOALS



Ministry of Investment/Indonesia Investment Coordinating Board

bkpm, Kementerian Investasi/BKPM, bkpm.id, Kementerian Investasi/BKPM



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FOR MORE INFORMATION
SCAN QR HERE





Project Profile



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The downstream industry of integrated horticulture focuses on plant extracts, namely shallot and red chili paste. These products are the raw materials for Indonesia's fast-growing instant seasoning industry.



On the other hand, shallot and chili paste are still imported, so the development of an integrated downstream agricultural industry plays a role in reducing imports of shallot and red chili paste.

Production Target

Farm Capacity



Downstream Capacity



Business Model



Source : KS0 Amythas - Sucofindo (analyzed)

Business Field(s)

- KBLI 01134 Shallot Farming
- KBLI 01283 Chili Farming
- KBLI 10399 Other Processing and Preservation Industry of Non-nut Fruits and Vegetables
- KBLI 10312 Fruit and Vegetable Lubrication Industry

Investment Value

IDR 276.07 B

Project Location



Rintik Villages, Babulu Distric, Penajam Paser Utara Regency

Land Area
65 ha

Land Title(s)
Freehold Title

Land Price
IDR 50 million/ha

Rintik Villages, Babulu Distric, Penajam Paser Utara Regency

Land Area

Industrial Area	5 ha
Cold Storage	1.5 ha

Land Price
IDR 50 million/ha

Land Title(s)
Freehold Title



Market Opportunity



Supply & Demand

Red Shallot Supply and Demand in East Kalimantan (Tons)



Source : KSO Amythas - Sucofindo (analyzed)

- Fulfillment of the deficit demand for shallots in East Kalimantan is partly attributed to conventional agriculture, which is significantly influenced by seasonal changes and weather conditions.
- Downstreaming holds the potential to be developed into intermediate products, representing one of the strategies to overcome the seasonal characteristics of commodities.



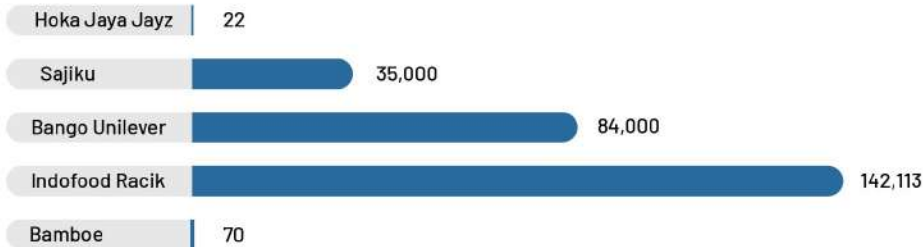
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Total Instant Seasoning Production per Year

Capacity (ton/year)



Source : Ministry of Industry



Market Target

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Per Year

Export B2B market

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SUSTAINABLE
DEVELOPMENT
GOALS






Technical Aspect



Business Scheme

Based on Presidential Regulation 49 of 2021 KBLI Horticulture Cultivation (Shallots and Chili) cooperation with local MSMEs is not required

Stage 1	Stage 2	Stage 3
Initial Conditions Fulfillment Per Capita Capita Still Deficit	Medium Condition Per Capita Fulfillment Begins to Stabilize	Stable Condition Per Capita Fulfillment Stable
Cultivating partnerships with companies to meet the demand for downstream shallot and chili paste products	The company is expanding its downstream capacity in response to the 5.8% growth in the seasoning industry	The company is increasing downstream capacity in response to the growth of the seasoning industry, which is experiencing a growth rate of 5.6%
Local farmers focus on wet market fulfillment	Local farmers focus on fulfilling wet market and downstream supply trials	Local farmers focus on fulfilling wet market and downstream supply trials
Land Cooperation Cooperation in providing land with a purchase scheme from the surrounding community	Farmer Cooperation Productive farmland owned by farmers can be evaluated for supplying to shallot and chili paste companies	Farmer Cooperation Productive farmland owned by farmers can supply shallots and chili peppers to pasta companies
Labor Cooperation Local communities become laborers in the integrated industry/cultivation		
Farmer Cooperation As part of the company's CSR initiative, farmers can participate in modern agriculture training to enhance productivity		

Source : KSO Amythas - Sucofindo (analyzed)



Infrastructure



Clean Water

Availability Babulu Reservoir **180 l/dt**
Availability Telake River **60 l/dt**
Availability Rintik Spring Discharge **0.5 l/dt**
Requirement : **0.51 l/dt**
With Irrigation technology intervention



Electricity

Availability : **4 MW**
Requirement : **1 MW**



Telecommunications

Wireless Telecommunication networks for Telephone and data are already available through 20 BTS towers



Supporting Facilities

- Water reservoirs and boreholes
- Irrigation channels
- Fog irrigation technology
- Agricultural equipment
- Drying dorm
- Natural and artificial fertilizers



Accessibility



Access to IKN
93.9 km 2 hours

Access to Penajam Port
64 km 1 hour 30 minutes

Access to Babulu Reservoir
4.7 km 6 minutes



Manpower

Requirement

Cultivation **650 Workers** Paste Factory **42 Workers**

Minimum Wage

IDR 3,500,000

*Penajam Paser Utara Regency Minimum Wage (2023)



Financial Feasibility

CAPEX
Capital Expenditure

IDR 216.69 B

NWC

Net Working Capital
(OPEX 9 months)

IDR 59.38 B

WACC

Weighted Average
Cost of Capital

11.06%

NPV

Net Present Value

IDR 338.70 B

IRR

Internal Rate
of Return

13.74 %

PP

Payback Period

7 years

**FUNDING
STRUCTURE**

**70% Debt
30% Equity**



Revenue Structure

1st year revenue IDR 98.95 billion consists of:



Shallot Paste

64 %



Chili Paste

36 %



Development Plan

Cultivation Location



Shallot Crop Area



Chili Crop Area



Industrial Location



Production Factory



Main Entrance



Loading Dock





Government Support



Technical Policy

Land Use Policy

East Kalimantan Provincial Regulation No. 1 of 2023 regarding East Kalimantan Provincial Spatial Plan 2023-2042:

- Industrial processing activities in the horticultural area are permitted provided that the area does not exceed the extent of horticultural cultivation activities.
- Kalimantan Provincial Spatial Plan : Located in the horticultural area



Incentives

Fiscal

MoF Regulations No.176/2009 Jo.188/2015

Exemption from import duties on imported machinery as well as goods and materials for construction or industrial development in the context of capital investment.

Government Regulation No. 12 of 2023 *

The Corporate Income Tax (CIT) rate used in this study is 22%. And there is a Tax Holiday for the first 10 years.

Non Fiscal

Regulation of The Province of East Kalimantan No. 18 of 2016

Investment incentives can be provided in the form of acceleration of land permits, provision of land or locations, provision of advocacy and facilitation, or provision of business facilities and infrastructure.

*) Depends on the implementation of *Global Minimum Tax (GMT) policy*



Business Licensing Process in the OSS - RBA System

Registration

- Access rights
- Register in Business Actor Data and Business Data

Basic Requirement

- Spatial Conformity (KKPR)
- Environmental Approval
- Building Approval and Functional Certificate (if required)

Business License

- Business Identification Number (NIB)
- Standard Certificate (SS)
- Licenses based on the risk

You can download the business licensing application guide at:



<http://oss.go.id/en/panduan>



Contact Information

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(+62) 21 5225837

tu.ditpiasl@bkpm.go.id

Jl. Jend. Gatot Subroto No. 44, Jakarta 12190, Indonesia

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