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

INTEGRATED HORTICULTURE FARMING

EAST KALIMANTAN PROVINCE

MINISTRY OF INVESTMENT/ INDONESIA INVESTMENT COORDINATING BOARD

Project Profile

Integrated horticultural 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	Downstream Capacity
1,500 tons/year	1,094 tons/year
650 tons/year	456 tons/year

Business Model

Onion downstream products red onion and red chili — Shallot paste and chili

- Business to Business (B2B) Market → **Local Market**: Potential Customers: Instant Seasoning Industry, Hotels, Restaurants, and Cafe Sector.
- Industry Needs (Local and Export Potential) → **Export Market**: Potential Export of Processed Spices to Singapore, Saudi Arabia, Nigeria, Timor Leste, and other countries.

Source : KSO Amythas - Sucofindo (analyzed)

Market Opportunity

Supply & Demand

Red Shallot Supply and Demand in East Kalimantan (Tons)

Source : KSO Amythas - Sucofindo (analyzed)

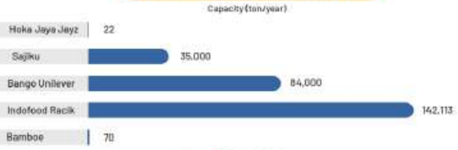
- Fulfillment of the deficit demand for shallots in East Kalimantan is partly attributed to conventional agriculture, which is significantly influenced by seasonal changes and weather conditions.
- Downstreaming holds the potential to be developed into intermediate products, representing one of the strategies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

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



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.

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

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
Land Cooperation: Cooperation in providing land with a purchase scheme from the surrounding community	Farmer Cooperation	Farmer Cooperation

Labor Cooperation: Local communities become workers in the integrated industry cultivation

Farmer Cooperation: As part of the company's CSR initiative, farmers can participate in modern agricultural 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

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		

1st year revenue IDR 98.95 billion consists of:

- Shallot Paste 64 %
- Chili Paste 36 %

Project Location

Rintik Villages, Babulu Distric, Penajam Paser Utara Regency

Farming

- Land Area: 65 ha
- Land Title(s): Freehold Title
- Land Price: IDR 50 million/ha

Rintik Villages, Babulu Distric Penajam Paser Utara Regency

Processing Plant

- Land Area: Industrial Area **5 ha** Cold Storage **1.5 ha**
- Land Title(s): Freehold Title
- Land Price: IDR 50 million/ha

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

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	Basic Requirement	Business License
• Access rights • Register in Business Actor Data and Business Data	• Spatial Confirmity (KKPR) • Environmental Approval • Building Approval and Functional Certificate (if required)	• 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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