



# More than Just Paper

It is so embedded in our daily lives that we often take its value for granted. Amidst the constant barrage of emails and digital messages that flood our computers and mobile devices, we often forget the value of paper.

"The thing that I really enjoy about paper-making is that every sheet of paper we produce will be seen, touched and handled by another human being," said Wahyu Setiady, a veteran in the Indonesian paper industry. "Paper is an important communication medium despite the growing use of smart-phones, tablets and the internet."

Wahyu's career in the pulp and paper industry spans 17 years. His professional respect for the industry is clearly reflected in the value he places on each sheet of paper. "The nice thing about communicating with top quality paper is that the time, care and attention given to producing each sheet serve to communicate something deeper to the recipient."

It is an industry he cares deeply for. Today, Wahyu is a paper mill manager of RAPP's operations. Having begun his journey in this field in the late 1990s, Wahyu's strong attention to detail and passion for the industry saw him assume key roles as the operations grew. He represents a pool of quality local talent which the Indonesian pulp and paper industry has been building over the years.

"The industry is fascinating in its ability to blend ancient and modern technology to produce a commodity that is essential to every aspect of our lives," explains Wahyu. "The making of pulp and paper as discrete fibers dates back two thousand years when the Chinese inventor Tsai Lun dissolved plant fibers in lye to form sheets of paper. Today, a similar practice is combined with hi-tech and hi-speed equipment, inter-connected by

fiber optic networks and fast industrial microprocessors."

Despite the paperless trend in a digital world, demand for paper is expected to continue to grow. In the US, the per capita consumption of paper is about 250 kilograms per year, while the demand for paper in Indonesia is only about 12 to 15 kilograms; but as countries develop, the consumption of paper and paper related products is likely to increase further.

Indonesia's tropical climate provides an added advantage to the pulp and paper industry. In Indonesia, trees can produce good timber which is ready for cutting in only 6 to 8 years, whereas in other regions such as Scandinavia and Europe, it would take between 70 to 120 years. In warmer climates such as Spain, eucalyptus trees – one of the most productive species in wood quantity for pulpwood production – can still take close to 20 years to mature.

Against the growing demand for paper globally, Wahyu is clear that businesses have to shoulder sustainability responsibilities. "Business is not just about making money. There must be a moral imperative - doing what is right for the community, the country as well as the company. For example, the well-being, health and safety of our workers, contractors and their families are paramount. We all share the same planet and we depend on its resources for our lifetime and beyond."



**Wahyu Setiady**  
Mill Manager, RAPP

- RAPP's mill uses world-class engineering and technology to produce quality pulp and paper products sold around the world.
- The mill is one of top five most efficient mills in the world with 85 percent of energy used in the Kerinci mill coming from renewable biofuel resources and 90 percent of water used in the mill is recycled.



# The Grower

**Tim Fenton, Deputy Head of Kerinci Central Nursery for Riau Andalan Pulp and Paper (RAPP)**, Canadian who has worked in Kerinci since 2010. His experience to-date in Indonesia spans from plantation best practice to research and development, as well as nursery.

## What is your role at RAPP?

I oversee and ensure the implementation of nursery management practices and quality standards to grow the best genetic trees, in the right quantity, and at the right time as required to establish our plantations. I lead a team of 14 nurserymen, covering areas such as leaf cutting, seedling production, evaluating and correcting nursery performance trends.

## Why is a nursery important for the forestry sector?

It is the first step in a forest plantation business and the future fiber source for the business that is reliant upon the output of what the nursery provides today. High quality, vigorous plants, tested for the growing environment and the business products, are required to be delivered on-schedule in order to maximize the growth for the business; this is often referred to as Species-Site Matching - a key to a successful fiber business.

## What does the nursery produce?

Nursery "production" refers to the volume of plants sown or set in the nursery. "Delivery" refers to the nursery output of plants that meet quality standards and are shipped to plantation. On average, only 50 percent (or less) make it through the nursery process to reach the plantation. In 2015, the nursery will set or sow 1.4 million plants every day in order to meet daily delivery commitments of 700,000.

## What do you do to ensure survival of these plants?

The key to success in the nursery is to know the essential growing variables and constantly monitor them to ensure suitable conditions for your crop. It is the attention to the smaller details that most often make the difference.

Changes in weather can result in outbreaks in pest and disease; a change in the pH of the irrigation water will affect the uptake of nutrients; a leaking pump seal will reduce effective line pressures resulting in inconsistent fertigation distribution. Behind the success of a strong nursery, you will often find a collection of skilled nurserymen who are constantly worrying over the smallest of details. You can never overlook the value of a good nurseryman.

## What do you like about your job?

I enjoy the daily challenge of the nursery work environment. As much as we try to treat the nursery as a "tree-production" factory, we are constantly reminded that plants respond to the smallest change in their environment.



**Tim Fenton**  
Deputy Head of Kerinci Central Nursery, RAPP



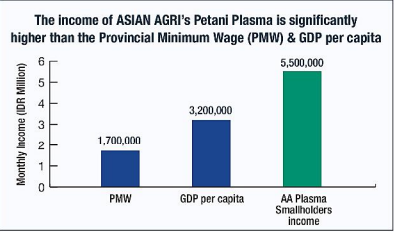
# Unlocking Rural Potential

Indonesia, Southeast Asia's largest economy continues to see growth momentum despite the slowdown in the global economy. The World Bank expects Indonesia's GDP to expand to 5.2 percent this year, picking up moderately to 5.5 percent in 2016; largely due to private consumption growth remaining relatively stable, increase in fixed investment spending and a gradual recovery of export volumes and infrastructure spending.

Indonesia's economic activity is largely driven from its capital of Jakarta where we see the congregation of talented people, migrant workers exchanging rural for urban life, domestic capital and foreign investors all clamouring for a slice of the growth pie. This concentration of urban growth and change is reflected in numbers -- 53 percent of the population lived in urban areas in 2010 and it is predicted that by 2025, it will reach 65 percent.

At times, such urbanisation has helped alleviate poverty levels and increased expansion of an emerging urban middle class. However, the uneven production, distribution and access to goods and services such as healthcare and employment, have caused growing disparity. Today, figures have shown that some 30 million Indonesian people continue to live below the poverty line today.

Indonesia is now the fourth most populous country in the world with a total population of 250 million people, of which 43 percent are below the age of 25 and nearly 50 percent of the population continues to live in the rural areas. How can Indonesia unlock the economic potential of the vast rural population and harness its growth to the overall success of the country?



Source: Provincial governor decree, Central Bureau of Statistics, Asian Agri

## Agriculture as Driving Force

The agriculture sector has been identified as one of Indonesia's key drivers of economic growth, comprising 15 percent of GDP in 2014. The sector is the main source of employment in rural areas where poverty is more prevalent.



**With its vast and abundant fertile land, Indonesia is a major global producer of an extensive range of agriculture products. Palm oil is one of its key produce.**

According to a World Bank study - *Agriculture and Poverty Reduction* - GDP growth that originates from agriculture is estimated to be at least twice as beneficial to the poorest segment of a country as growth from non-agricultural sectors. It is therefore key to link overall and continued sustainable growth, as well as the reduction of poverty, with an increased focus on agricultural sectors by awakening and assisting this useful demographic. In 2012, the agriculture sector employed more than 49 million individuals, which represented more than 41 percent of the total workforce and more than 36 percent of the country's population. It is mainly food production that engages the rural population in terms of employment and income.

It is clear that Indonesia must be able to elevate the value of this industry and empower its rural populations to effectively optimise the use of the country's natural resources. At the industry level, this includes hard work to increase a processing industry that will provide high added value. It also requires a persistent investment in skills and knowledge training of the local people to uplift the overall quality of human capital for the agriculture sector.

The Indonesian government has put in various efforts and programmes to eradicate poverty, one of which is known as the Plasma Scheme.

Established in 1987, Plasma is a government initiative aimed at improving Indonesia people's standard of living by relocating dwellers from highly populated areas to regions with lower population density. The initiative gives transmigrants 2 hectares of land in the region of Riau, enabling them to become smallholders who receive help from private sector companies to become independent plantation growers. Such aid comes in the form of imparting growing techniques, land management best practices, and even assistance to achieve internationally recognised certification that opens up market access to the smallholders. The impact of this programme on the living standards of the local communities is evident. Today, smallholders' average monthly earnings is significantly higher than the provincial GDP per capita (3.18m IDR) and minimum wage (1.7m IDR).

## Bumpy Road Ahead

Still, several pertinent issues continue to impede the progress of local communities living in these rural regions. These issues are often entangled with conflicts in land rights and the perception of exploitation; that has led to both the subsequent lack of trust between governments and community, and between community and businesses.



For Indonesia's rural population to develop more meaningfully and improve their standard and quality of life, a more holistic approach to land management is needed across the entire resource sector and not just specific fields. For more long-term gains, Indonesia needs to implement the 'One Map Policy' to aid sustainable planning and strategy.

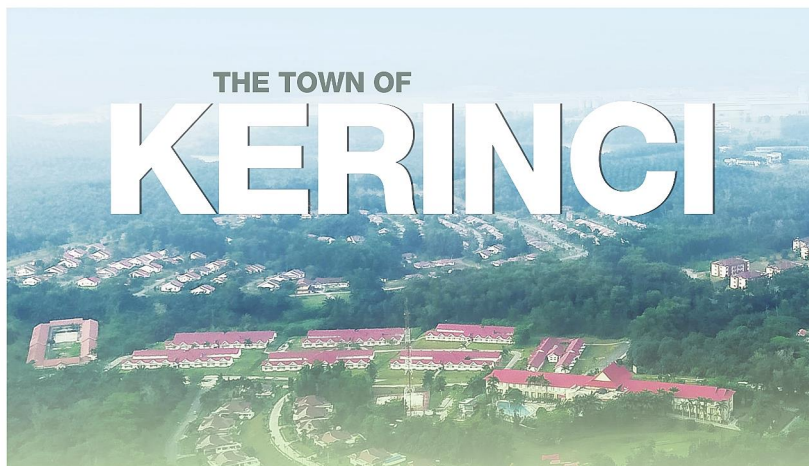
There is also a real opportunity to achieve a productive balance between the needs of business and mobilising the potential of the rural population. It does not have to be a zero-sum game; one at the expense of the other. There are many ways in which businesses can benefit from playing a role in providing assistance to small landowners – from plantation management to entrepreneurship training programs. By working together to increase the returns to assets for their land and their labour, as well as by creating access to global distribution and marketing channels, profits and a higher standard of living are created for many Indonesian smallholders.

Numerous islands in the Indonesian archipelago are as far removed in economic terms from a city centre or engine of prosperity as they are physically distant from their capital city; and yet, in this current world of technological connectivity and advancement, not being in the city centre does not mean a lower standard of living.

Unlocking the potential of Indonesia's rural population and mobilising this workforce can be done through a multitude of avenues, both on the small scale and more widely speaking. If Indonesia is to expand its growth, there must be a continued focus on fostering the development growth of both the agriculture sector and rural population.



Working with farmers in Kerinci to improve their integrated farming system



**The town of Pangkalan Kerinci, commonly known as Kerinci, is part of Pelalawan – a regency of the Riau Province; the economic hub of the island of Sumatra and one of the richest provinces in Indonesia due to its abundance of natural resources. Travelling to Pelalawan involves firstly flying to Pekanbaru in Riau and then disembarking at the SSK II International airport, followed by a 15-minute flight landing at a private airstrip that is owned by one of Indonesia's largest resource-based manufacturing conglomerates – Royal Golden Eagle (RGE).**



## Proof of Concept

Twenty five years ago, Kerinci was a mere village of 200 dwellings, where most inhabitants were either fishermen or engaging in illegal logging. The only way to get to Kerinci was by boat and foot; there were no roads.

Today, the living conditions of the town's population are vastly different. Town numbers have swelled to 102,296 inhabitants, more than 11,000 kilometres of road have been laid, there is a small airport, and two shipping ports that transport pulp, paper and oil palm products to the rest of the world.

The town also has an electricity power plant with capacity of 530 megawatts (MW); of which 85 percent of the pulp and paper mill's energy consumption is derived from biomass wastes such as wood bark and palm husks to generate renewable energy, significantly reducing its reliance on fossil fuel. Its palm oil mill is also at the forefront of renewable

energy technology with a US\$4.7 million biogas plant which produces 1.4 MW from biomass waste collected from the palm oil mills.

Kerinci is a proof of concept that government, private and community partnerships can be meaningful and successful. What the town has become today reflects a commitment to collaborate so that stakeholders grow together in harmony with social and environmental needs in that area. Today, smallholders manage 60,000 hectares of plantation and they work closely with Asian Agri to supply the world with palm oil.

Unigraha Hotel is the only three-star hotel in Kerinci. It is spectacularly perched on top of a hill amidst verdant slopes located in the manufacturing site of Riau Andalan Pulp & Paper (RAPP), a subsidiary of APRIL, an RGE company. Looking out across the horizon from the hotel are rows and rows of oil palm and acacia trees.

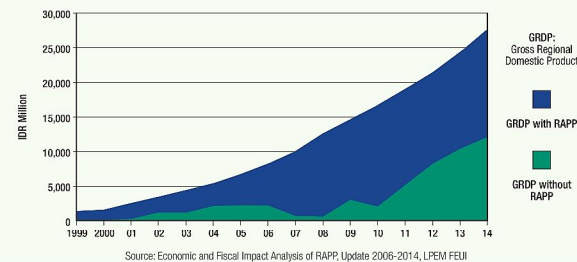
To the rest of the world, very little is known about this little town; but it is Kerinci that provides the world more than 2.8 million tonnes of pulp and 850,000 tonnes of paper per year. This town also houses RGE's key palm oil manufacturing operations. Together with mills in North Sumatra, Jambi and other parts of Riau province, 1 million metric tonnes of crude palm oil (CPO) is produced annually. Kerinci is the nerve centre of RGE's integrated pulp and paper manufacturing activities and an important palm oil operational hub through its independent companies – APRIL Group and Asian Agri.



At 51 years old, Sunarto moved to Riau and settled in Kerinci as part of the government's transmigration program in the 1980s. He joined the Asian Agri Plasma Scheme, became a Plasma farmer and acquired 2 hectares of land. Today, he is married and owns a grand house. Three-quarters of his land is used for oil palm plantation and the rest for his house. "Being a Plasma smallholder has given me the freedom to harvest my land while at the same time, the security of sale and the knowledge needed to make the best use of my land. This has worked well for me and my family's standard of living," Sunarto explains.



RAPP Contributions to Pelalawan Regency's GDP



## A Necessary Co-Existence

Across the horizon, where the edge of a tree-lined view is punctuated by towers of industry sits RAPP's pulp and paper mill. The mill is a stark contrast to its surrounding green forest. Here is a fragile co-existence of man and nature. The process of finding harmony and sustainability has been a long and contentious journey but adopting sustainable forest management policies as well as research and development have helped both company and nature create a harmonious momentum.



Apart from its remarkable mill, Kerinci also houses state-of-the-art research and development on forestry. In May 2012, RGE Technology Center was opened and in its laboratories, scientists have conducted a series of studies that included research on evolving the best seeds to developing natural predators to suppress pests. Located after a five minute drive from the RGE Technology Center is the Kerinci Central Nursery, where planting experts and veterans optimise reforestation by preparing Acacia and Eucalyptus leaf cuttings; growing and nurturing them with extreme care before they are ready to be planted in the plantations.

In the world of forestry and agriculture, balancing the need to safeguard the environment and enhance the interests of local communities, while continuing to operate a sustainable business is key to long-term development and growth. Kerinci may be a small town but this little town speaks volumes on the success of such endeavours and is a case study of how partnerships between businesses and community can be successful in mobilising the rural population.

# Building Inclusive Growth Entrepreneurs from Kerinci

Sulaiman and Muhammad Sarkawi were both born and raised in Kerinci. Today, both have their own businesses. Sulaiman is 38 years old and supplies coco peat which is used as a soil bed to the leaf cuttings prepared in Riau Andalan Pulp & Paper's (RAPP) nurseries. Muhammad Sarkawi, aged 31 owns a manpower agency which he inherited from his parents, and supplies contract workers for companies based in Kerinci.

“Setting up your own business is not easy but when you have a guaranteed contract, it gives a certain peace of mind”

Both businessmen are part of the Tanoto Foundation's Small and Medium Enterprise (SME) programme that supports people who want to establish their own small-scale business.

"Setting up your own business is not easy but when you have a guaranteed contract, it gives a certain peace of mind," says Muhammad Sarkawi, a father of three children. Awl's agency provides manpower for companies like RAPP – from janitors to plantation labourers.

"With a small loan from the program as well as technical support and know-how, I was able to build a small company," explains Sulaiman, a father of two young children. "RAPP is also my key customer, which guarantees sales and revenues for my company. The training and knowledge of what goes into the making of coco peat is also important to get a grasp of, as on my own, I wouldn't know and the company has very specific requirements."

The Tanoto Foundation's mission is focused on alleviating poverty through education, empowerment and enhancement. Its SME programmes facilitate the development of small businesses in rural areas, vocational training and promotion of microfinance. It is an inter-dependent partnership that fuels economic growth in the town.



Sulaiman & Muhammad Sarkawi  
Entrepreneurs, Kerinci