

Investment Potential of Tobacco Agribusiness



Background

Virginia Tobacco is a kind of tobacco which can thrive in Garut Regency instead of local tobacco which has been developed by the farmers in Garut Regency.

The pilot project sponsored by Dinas Pertanian Tanaman Pangan Holtikultura and Perkebunan has show a result that can be followed up in the form of profit agribusiness. The tobacco, choppe tobacco and tobaco leaf. Both have a real potential market.

The follow up of this potential business has been done by Dinas Perindustrian and Perdagangan and Capital Investment of Garut Regency in 2007, for example by developing sample ovens in three district, they are The Districts of Karangpawitan, Pangatikan and Pasirwangi. In the same year the related activity has also facilitated tobacco producer in the form of apprentice to Lombok island as the bigges area of the biggest virginia tobacco producer in Indonesia. Oven heated has been tested in Garut Regency and the result is delightful because acceptable oven tobacco leaf. Both have a real potential market.

National cigarette industry applies Virginia tobacco counted approximately equal to 85% and the rest 15% is local tobacco and other flavour. This situation is of course a potential business opportunity to be developed through investment system. For the purpose, the government of Garut Regency has made a Memory of Understanding with one of the tobacco supplier in East Java. The demand of virginia tobacco to the farmers reaches 100/ton/year in the form of oven tobacco leaf.

Agribusiness System

1. Facilities and basic facilities
 - Farm (wide, source of water, climatology, topography and the like)
 - Labour (availability of labour, fee system, etc) ;
 - Farm scholar (energy/power kindness, tilth, fertilization, etc) ;
 - Legal capital (need to support facilities and basic facilities).
2. Tobacco development
 - Land height for tobacco ;
 - Suggested variety (cultivation of seed, crop closeness, irrigation, curative, etc) ;
 - Pest and disease (its type and control) ;
 - Fertilizer type and drugs required) ;
 - HOK (delivery rates) (for processing, keeping, etc).
3. Production
 - Picking technic ;
 - Transportation from farm to road ;
 - Oven process and equipment required ;
 - Cost (equipments, oven and fuel, HOK (delivery rates).
4. Marketing
 - Grading (oven and chopped tobacco) ;
 - Packaging ;
 - Storage ;
 - Arranges commercial ;
 - Disbursement system ;
 - Government Agreement/supplier (the core), MoU Script is attached.
5. Supporter
 - On Duty TPHP (policy of conducting and farm) ;
 - Disperindag and PM (production technic and investment licensing) ;
 - Regency government institution (KPSDMKP) counselling, tuition, etc.
 - Chemical fertilizer agent ;
 - Organic fertilizer producer.

Project Profile Of Tobacco Agribusiness In Garut Regency

PROJECT NAME : Tobacco Agribusiness
CAPACITY :
LOCATION : Kadungora, Leles, Tarogong, Bayongbong, Sukawening,
Karangpawitan, Cibatu, Kadungora, Leles, Limbangan, Banyuresmi,
Cilawu, Samarang, Etc.

Investment Forecast

Fixed Capital : Rp 9.000.000/ha
Circulating Capital : Rp 7.000.000/ha
Total : Rp 16.000.000/ha

Study Support

Study of Investment Opportunity : Available
(Opportunity Study)
Project Feasibility Pre-Study : Available
(Pre-Feasibility Study)
Project Feasibility Study (FS) : Available

Financial Profitability :

BEP = Rp 24.320.000
NPV = Rp 6.061.780 (estimation = 12%)
IRR = 26,74 %
ROI = 33,97 % (rounded up)