

**Sub topic: *Agricultural Financing***

**DESIGN OF SUPPLY CHAIN FINANCING MODEL OF RED CHILI COMMODITY WITH  
STRUCTURED MARKET ORIENTATION**

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**Abstract**

Finance is one of the issues in the agribusiness development of red chili clusters in Indonesia. The flow of money will decide whether the product flow will work properly and reaches its sustainability. Financial development in supply chain and agribusiness clusters should be done holistically. Therefore, development of the agriculture supply-chain financing for red chili commodity is importantly needed, especially for the commodity that is sold to structured markets, such as exporters, modern retails, or food industry. This research was conducted in five districts, which are the centers of red chili production in West Java province. The supply chain financing is expected to increase the return on investment, growth, and supply chain competitiveness. This study is an action research that uses case study method with qualitative modeling approach through value stream mapping identification. The design of the red chili supply-chain financing model consists of two financing models. First is pre-harvest financing for red chili growers, which are parts of farmer groups or cooperative members. The second is trade financing for cooperatives, which is already attached to some contractual agreement with buyers. These buyers are also an avalist in this model. The success of this financing model also needs to be supported by other parties and stakeholders, such as assistances from academic institution, mentoring from government instructors, or even institution of guarantor financing county to give guarantee for the financial providers.

Key words: finance, supply chain, red chili, structured market

**Introduction**

Red chili is one of the vegetables that exhibit high fluctuations in price. The price fluctuations affect the rate of inflation in food commodity prices, which are monitored by the Indonesian government annually (Central Bureau of Statistics, 2012). Under certain conditions,