

Oil Palm Smallholders Involvement and Development Opportunity

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Smallholders in Indonesia

- **The Government of Indonesia** : smallholders are farmers, who are managing less than 25 ha oil palm plantation.
- **SPKS** : smallholder is individual farmer or a family who owns and directly manages less than 25 ha oil palm plantation legally and sustainably.
- **UU No 19/2013 : Smallholders Empowerment** means all efforts to improve the farming capacity of the smallholders through education and training, counseling and mentoring, system and marketing infrastructure development of agriculture products, consolidation and assurance of agricultural land area, the ease of access to science, technology and information, as well as strengthening smallholders organization.



4 Types of Oil Palm Smallholders in Indonesia

1. Scheme Smallholders:

Smallholders who are in partnership with a plantation company under transmigration program, or local communities surrounding a plantation company. This type of smallholders accounts at least 20% of the companies HGU. Under PIRTRANS, smallholders obtained 2 ha smallholdings each; Under KKPA the smallholdings only around 0,5 ha – 3 ha/family. Majority is less than 2 ha.

2. Independent Smallholders:

Smallholders who occupy their own capital, land bank, and independently manage their oil palm plantation. Plantation area is 25 ha maximum.

3. Combination of Scheme and Independent Smallholders (Plus-plus):

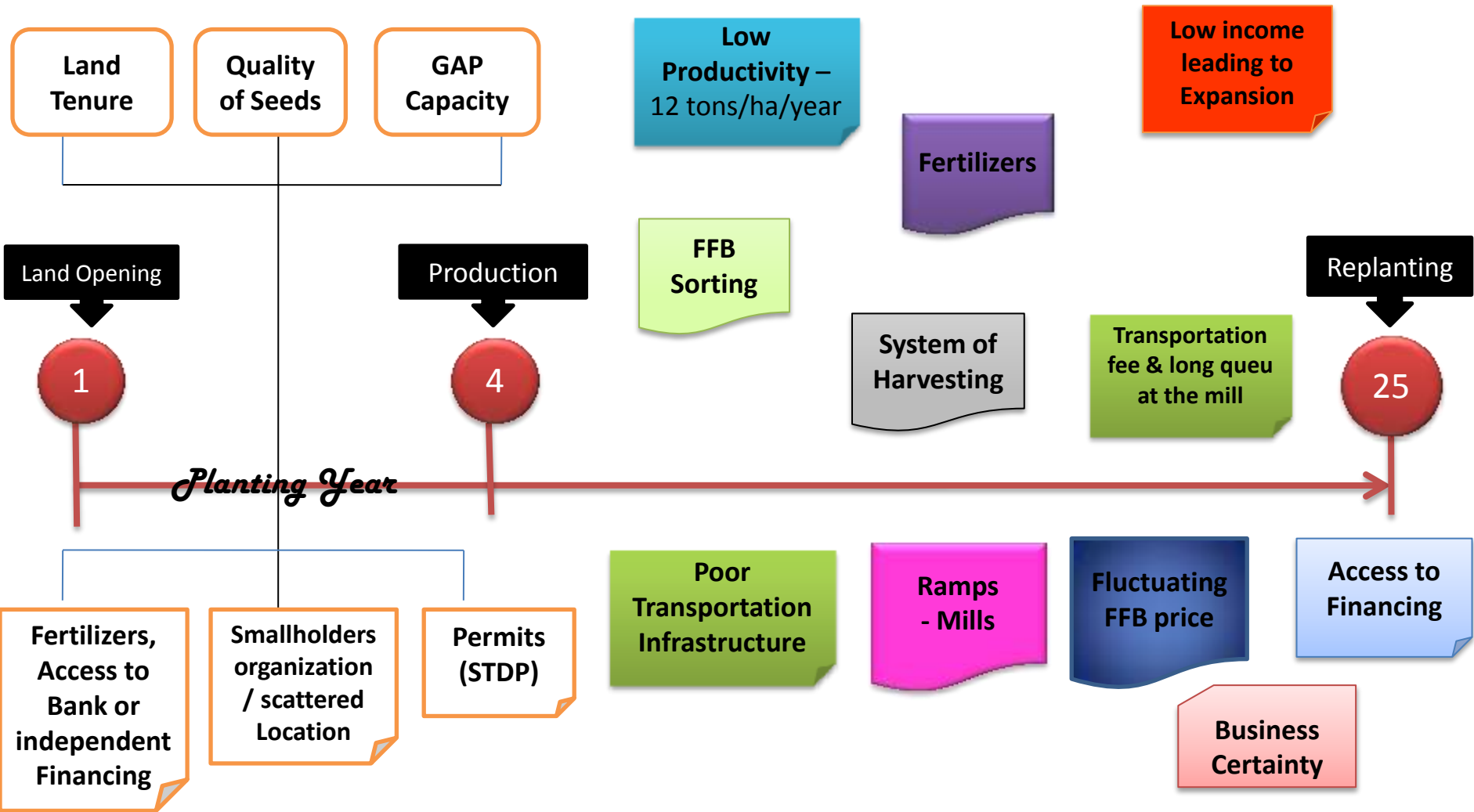
Scheme smallholders who also own independent smallholdings.

4. Independent Supported Smallholders :

Independent smallholders through government aid programs (budget) or aided by the Cooperative, such as for the provision of seeds and fertilizer, and assistance for Good Agriculture Practices. There is only a few of this type.



What are the Challenges ?



Gaps with National Regulations (1)

Plantation Act No 18 / 2004

- Do not serve the Independent Smallholders
- Have a tendency to Partnership Scheme and large plantation company.
- Partnership scheme: 20 % granted for smallholders and 80 % for nucleus owned by company.
- Do not encourage a road map development for independent smallholders

Permentan No 33 / 2006 on Plantation Revitalization

- Do not allow banking financial access to independent smallholders but through private sector.
- Centralized Management tends to be centralistic and not transparent.
- National budget – Revitalization program does not ease smallholders' credit.
- Supported by Min. of Finance decree no. 117/ 2006 on credit for alternative energy

Minister of Agriculture Decree No 98 / 2013

- Emphasis on cooperative, but vague and limited role.
- Still focusing on large plantation company and not independent smallholders.
- Smallholders guaranteed access to supply the mill, but only if company can not meet the 80% FFBs from its own production (nucleus).



Gaps with National Regulations (2)

Policy on Fertilizers

- Long distribution process (line 1-5).
- RDKK (definitive plan request per group) does not guarantee supply of fertilizers.
- Seeds producers still centralized in North Sumaters; while oil palm plantation is now all over Indonesia.

Law No 19/2013 on Smallholders Empowerment

- Poor implementation, as local governments still favor the private sectors to be major development force.
- Inconsistent with other regulations.
- Especially on land tenure, mostly still defined “state ownership”.
- Problems with spatial plan. Etc.

Cattle-Palm Oil Integration Program

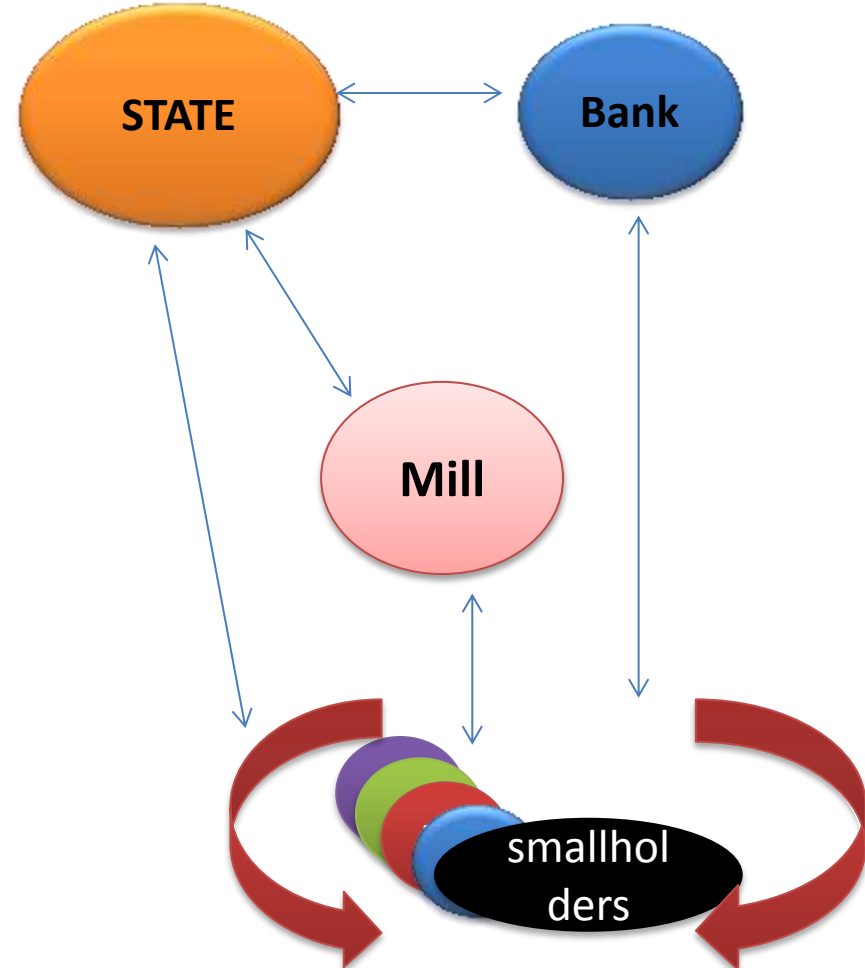
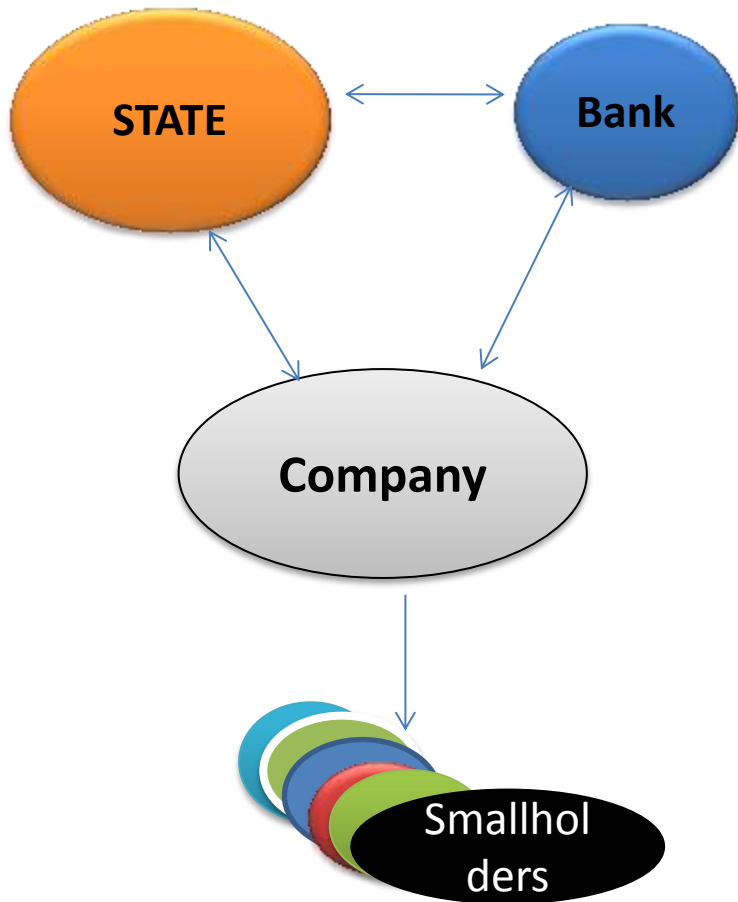
- Not yet targeted for: yield improvement, capacity building to smallholders, business development for smallholders aimed for better living standard.
- Support and assistance focused more to companies and not directly to smallholders.



Smallholders Involvements

Current Practice

Ideal Practice



Development Opportunity (1)

■ Smallholders:

- Empowerment & Strengthening of Smallholders capacity towards **Sustainable Development** (No Deforestation & No Exploitation).
- November 2014 SPKS issued **Sustainability Roadmap of Independent Oil Palm Smallholders**.
- Create and Empower Smallholders Organization / Cooperative / BUMDes as a **basis of business development potential** of smallholders.

■ Government:

- **Revise policies and regulations, including national development plan** in line with *Nawacita*: rooted in Villages and based on community.
- **Build up Independent Oil Palm Villages**, synchronized with the development of independent villages Indonesian wide, integrated with other commodities and sectors according to the potential and capacity of each villages or locality.
- Generate **food sufficiency** and **social sustainability** of smallholders in general, in particular independent/small scale farmers.



Development Opportunity (2)

■ Private Sector:

- Business in accordance with the nature of the company, ie the medium – large business scale and follow **corporate or business ethics**. For example, company only focuses on the downstream industry and smallholders and SMEs focus on FFB production.
- Particularly on alternative energy, private sectors and the government jointly found toward “Energy-independent State” targeted to achieve in 2025. (special incentive granted for strong-minded companies)

■ Financial Institution/ Bank:

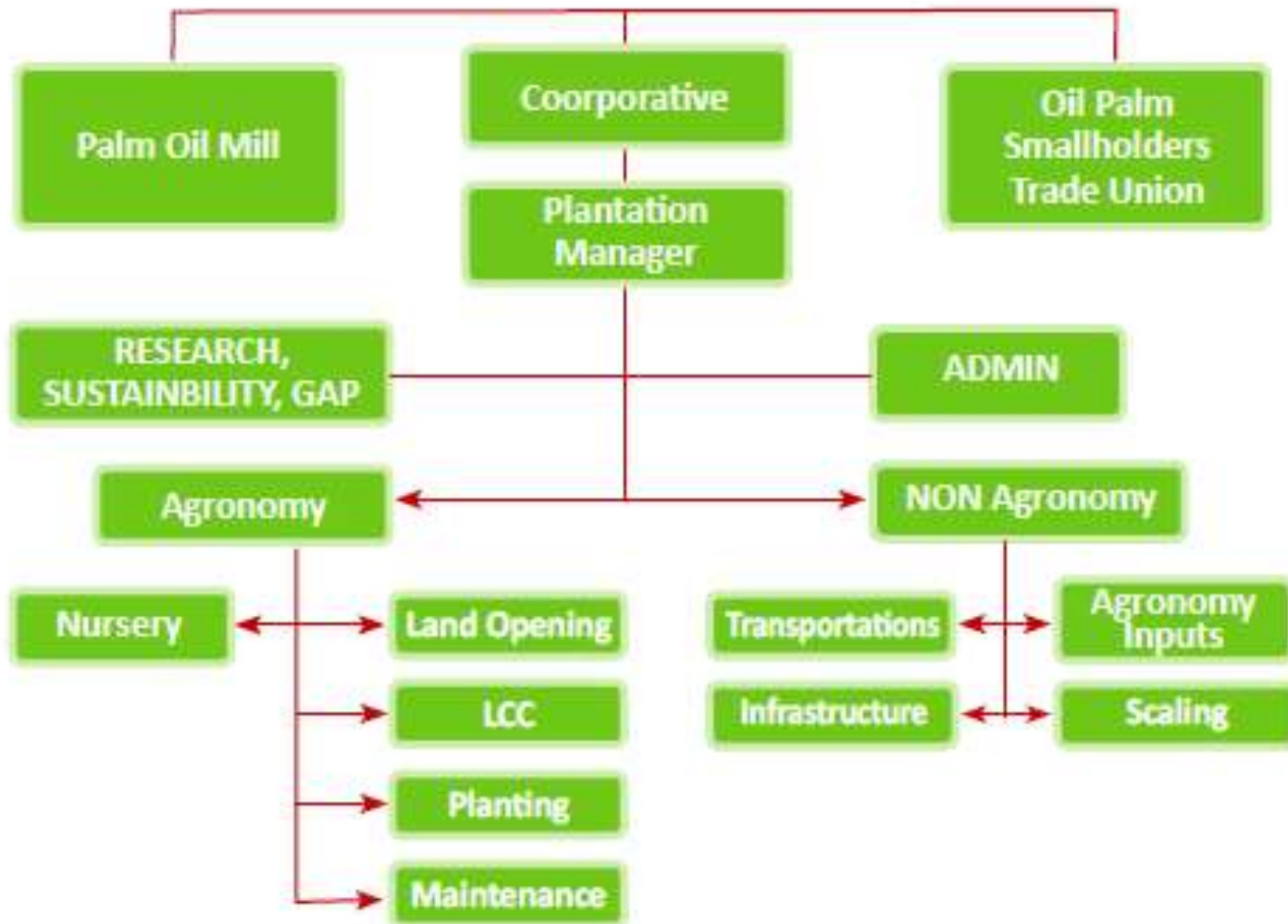
- Contribute to the founding of BUMDes and Independent Villages.
- Engage and directly assist the smallholders or farmers organization, including support and encourage for the competitiveness of quality among smallholders organizations.

■ Education sector / R&D:

- Create programs for the strengthening of farmers capacity.
- Conduct research that help and provide the smallholders with alternatives of good quality and affordable seeds and green fertilizers.



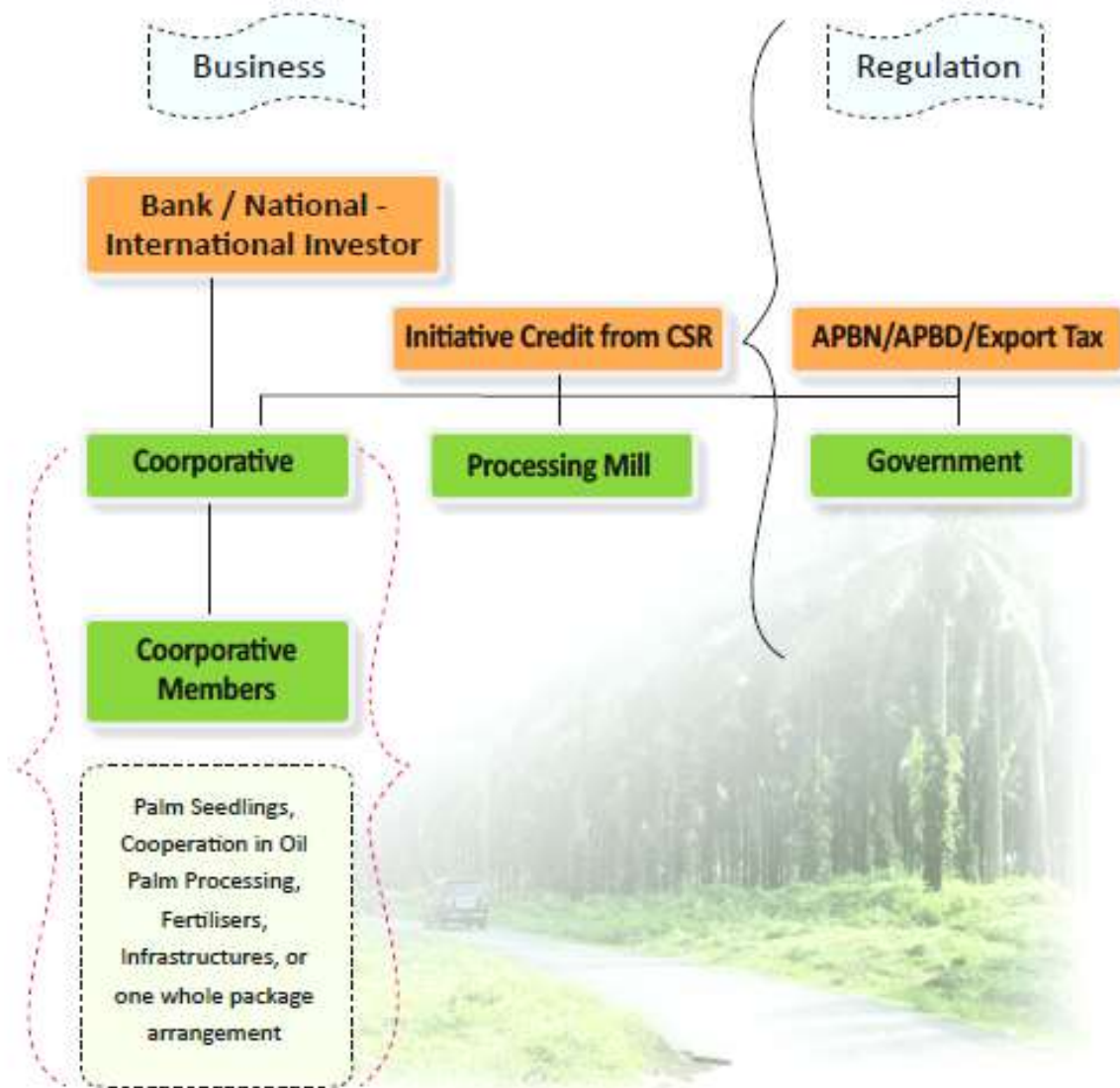
Innovative Work Relations of Oil Palm Actors



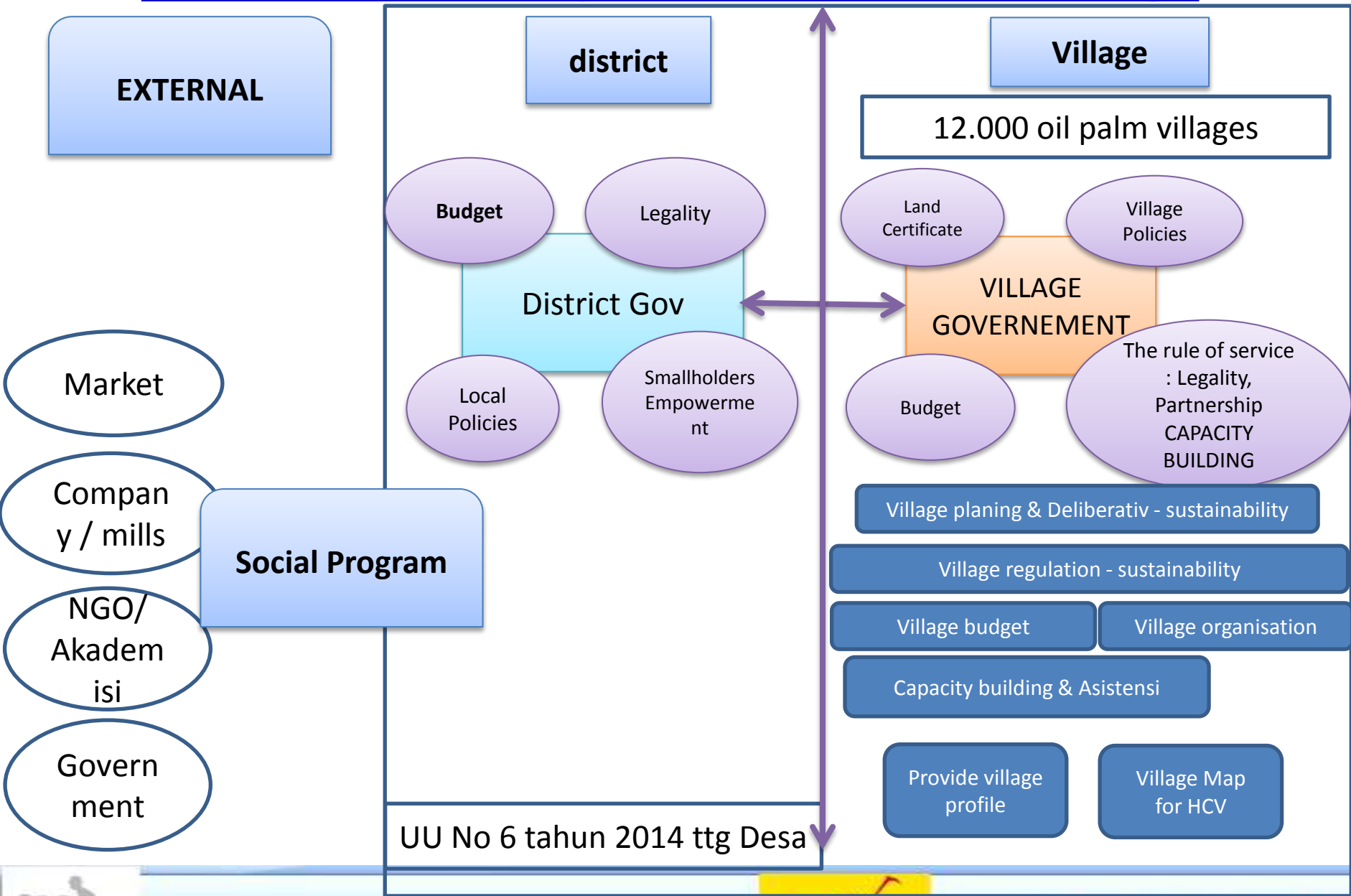
Sources: SPKS



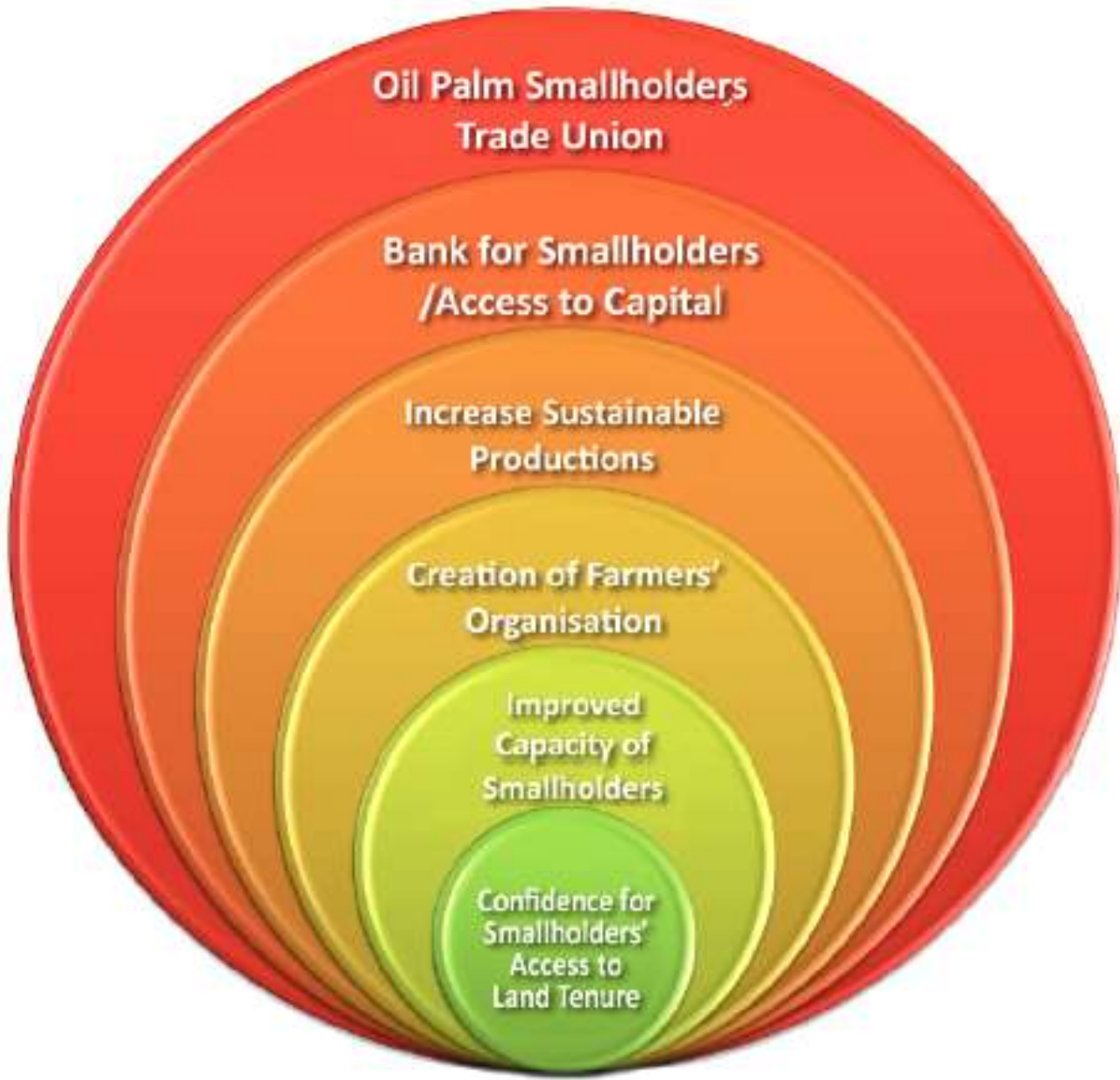
Alternative Replanting (Independently)



Sustainable Independent Oil Palm Village



Market Transformation



by Oil Palm Smallholders



Highlights to all Palm Oil Stakeholders

- 1) Palm Oil needs ***Fundamental Market Transformation*** !!
- 2) Any initiative on palm oil needs bottom up approach of smallholders empowerment; top-down approach put the smallholders more aside.
- 3) Oil palm smallholders are small-scale entrepreneurs transformed into global market competitiveness. The smallholders are legal-literate, knowledgable and forceful in any market condition.
- 4) The government (national and local) start transformation by fixing and revising local and national regulations concerning oil palm plantation; harmonize the national and local development plan by being committed to socially sustainable development of oil palm sector.
- 5) Private sector transform their business to a larger goal : sustainability in the downstream industry (not only for tracability purposes).
- 6) Education and Financial institutions create alternative and pioneering inventions that help the fundamental transformation of national palm oil industry.



THANK YOU

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