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POLICY BRIEF

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SINTANG INDEPENDENT OIL PALM SMALLHOLDERS

Looking Forward to a Sustainable Trading System

FINDINGS

Communities have independently cleared land for oil palm plantations since 2007. The smallholders cultivate the land with limited knowledge. The smallholders do not even have sufficient knowledge regarding the oil palm trading system let alone about saving the ecosystem. In fact, the majority of independent oil palm farmers are still trapped in a circle of intermediaries (middlemen) who holds the delivery order (DO) or order to deliver goods to the messenger from the mills.

Limited knowledge worsened by inadequate facilities and infrastructure, made the smallholders helpless in their own homes. This condition apparently did not diminish the enthusiasm of the community to continue to clear land for new oil palm plantations. Pressure on spatial management also increased, corresponding to the population growth rate.

The state is not yet present in the independent oil palm smallholders' lives. Local governments have not been able to provide the best service for independent oil palm smallholders. The Goddess of Fortune, whom the smallholders have been waiting for, has yet to visit. In the end, independent oil palm smallholders are still held hostage by the market dynamics and instrumentals.

RECOMMENDATIONS

1. The Sintang District Government needs to prioritize the establishment of farmer institutions and make it the center of excellence for oil palm cultivation with active involvement of partner institutions.
2. The Sintang District Government needs to issue a regulation on the partnership scheme between oil palm plantation companies and the independent oil palm smallholders using the principles of benefit, transparency, sustainability, mutual respect, responsibility, and mutual support. Through this policy, the district government can supervise on a bi-weekly basis the price that has been determined by the West Kalimantan Provincial Government.
3. The Sintang District Government needs to prioritize the construction of road infrastructure to facilitate the shipping of Fresh Fruit Bunches (FFB) from smallholders directly to Palm Oil Mills (PKS).
4. The Sintang District Government needs to build derivative mills to process Crude Palm Oil (CPO) through Regional Enterprises (BUMD). The development of this downstream industry can address the market challenges faced by independent oil palm smallholders.

THE ECONOMY VS ENVIRONMENT

Sintang is a district located in the eastern region of the West Kalimantan Province. Local governments place the agricultural sector in the most strategic order in establishing development policies. The reasoning was because this sector was considered to have the most potential to support the local economy. Oil palm is one of the leading commodities that is currently growing rapidly in the Bumi Senentang district.

The challenge faced in the future is focused on one critical problem. The rapid growth of superior commodities such as oil palm has also contributed to ecosystem damage. This is common because the governance of the area has not considered sustainability aspects. Moreover, if not supported by a good independent oil palm trading system.

This is apparent in several target villages assisted by WWF-Indonesia in collaboration with The United Nations Development Program (UNDP), namely Telaga Satu and Telaga Dua Villages in Binjai Hulu Sub-District, and Baung Sengatap and Setungkup Villages in Ketungau Hilir Sub-District.



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Independent smallholder transporting FFB from the plantation to a temporary loading ramp.

FFB Supply Chain from the independent smallholders' plantation to the mills

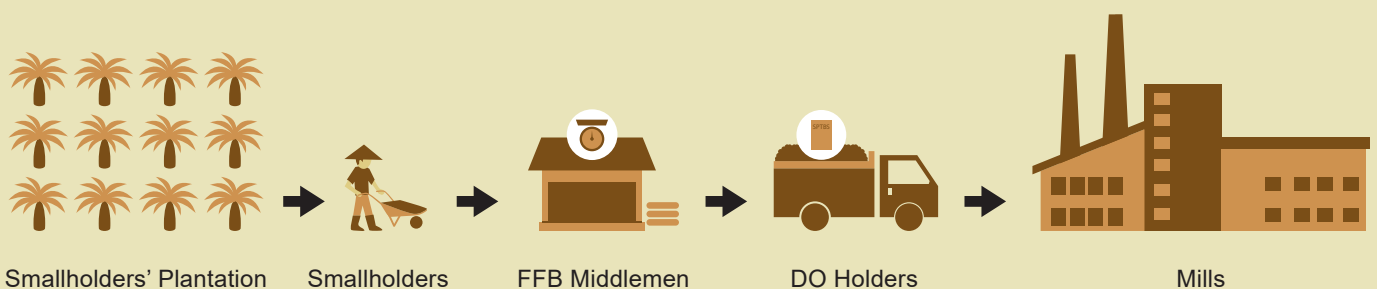
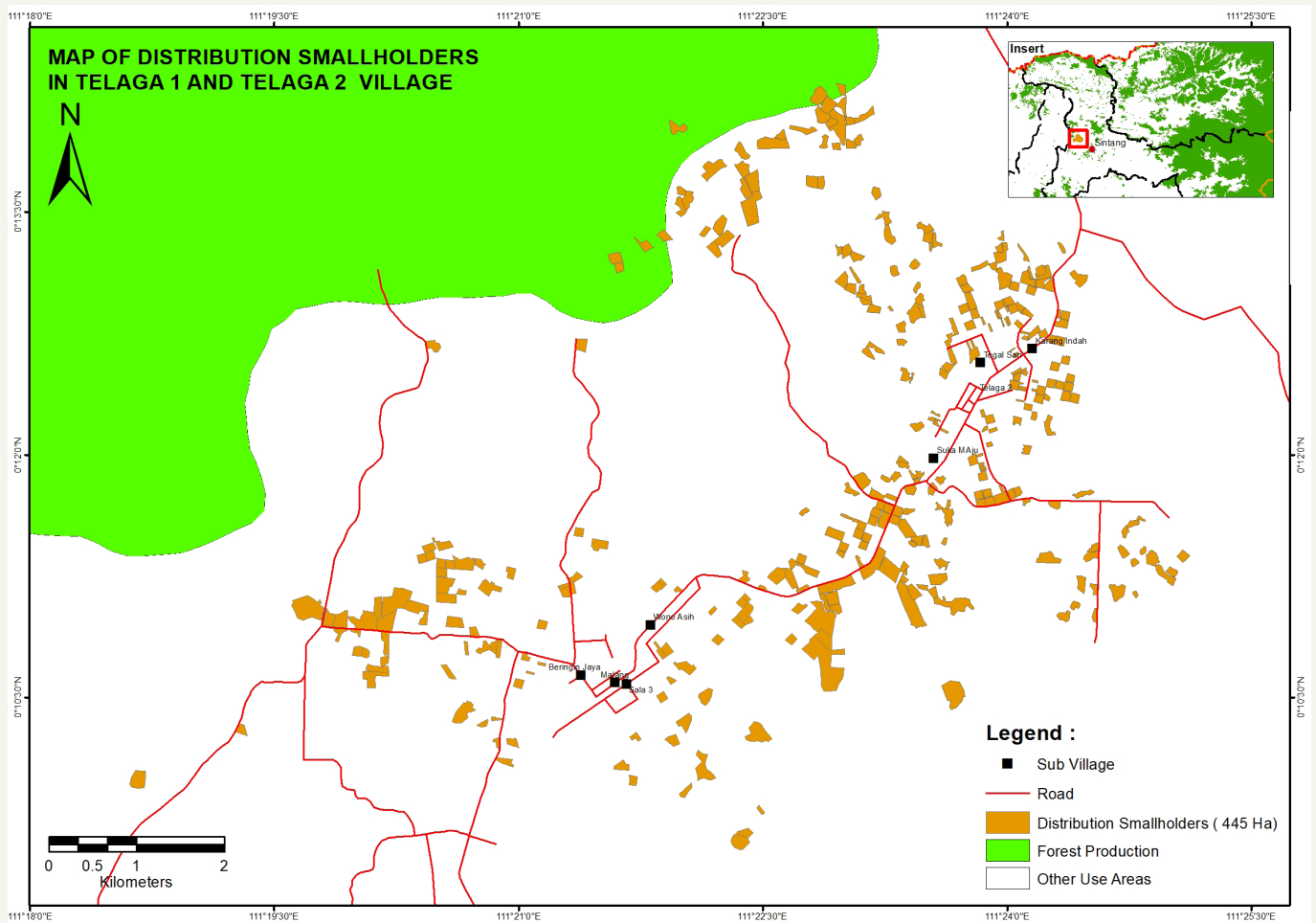


ILLUSTRATION OF INDEPENDENT OIL PALM SMALLHOLDERS' VULNERABILITY

The results of observations in Binjai Hulu and Ketungau Hilir Subdistricts, especially in 4 villages namely Telaga Satu, Telaga Dua, Baung Sengatap, and Setungkup indicated the vulnerabilities of the independent oil palm smallholders. This vulnerability is triggered by several factors. Among others: government policy, access to information, and limited knowledge.

The field observation also showed that oil palm plantations is a portrait of agroindustry that involves many actors, ranging from smallholders, companies, middlemen, village governments, and the state. Changes in land use towards monoculture has made the community dependent on the oil palm sector alone as their livelihood. Although there are other sectors such as rice and rubber, smallholders are still vulnerable to poverty.

Map of oil palm plantations in Telaga Satu and Telaga Dua Village, Binjai Hulu Sub-District, Sintang.



Source: WWF-Indonesia, 2018

The partnership scheme between oil palm plantation companies and smallholders can be potentially unfair. Even though Law No. 39/2014 has stated that the purpose of the plantation is to improve the welfare, prosperity, and protection for the community, in its implementation the community is often disadvantaged.

Important findings from these observations successfully mapped a number of vulnerabilities. For example, oil palm plantation production facilities are not easily and economically available which causes smallholders to depend on other party. Moreover, oil palm smallholders are not well organized, hence they are powerless when they have to establish relations with stakeholders that hold more dominant authority.

No business entities have become the business partner of smallholders' oil palm plantations in the village with the plantation companies. Furthermore, the village government still needs to improve its role in facilitating, protecting, and empowering oil palm plantations. In addition, there is no guarantee of access for independent oil palm smallholders in the FFB trading system.

Regarding the last point above, the smallholders are not involved in pricing. This mechanism only involves government elements, smallholder associations and plantation companies.

On the other hand, palm oil processing mills only provide access for the sales of fresh fruit bunches to the business entities (CV or PT), through a cooperation scheme with specific targets, and to smallholders through the provision of DO that can be collected before harvesting season.

Legally, independent smallholders can only sell to business entities that have cooperation with the mills through specific designated networks. Small-scale independent smallholders find it easier to sell their crops through collectors or middlemen because they do not have to pay for the shipping costs.

These collectors can sell directly to the mills, but they can also sell it to the business entities' network which always drive around the village of oil palm producers. Because the independent smallholders only sell their commodities through collectors, the selling price they receive is much lower than the price paid by the mills, CV or PT, and the official price set by the provincial government.

To date, the population of Telaga Dua Village has reached 400 households or approximately 1,300 people. They reside in three sub-villages, namely Sukamaju, Tegal Sari, and Karang Indah.

A total of 126 communities have independently cultivated oil palm. They established the oil palm plantation on 170 plots of land with a total area of approximately 200 hectares. In fact, oil palm smallholders are also familiar with intercropping. They plant fruit crops such as watermelons and vegetables in the oil palm plantation.

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Independent smallholder loading FFB to a truck.

DOMINO EFFECTS OF THE INDEPENDENT OIL PALM SMALLHOLDERS

The story of independent oil palm smallholders in Telaga Dua Village has gained attention from the neighboring villages, i.e. Telaga Satu Village. The majority of the residents of Telaga Satu Village are transmigrants. There are 459 households or approximately 1,400 people living in four sub-villages, i.e. Beringin Jaya, Malang, Salatiga and Wonoasi Sub-Villages. Of the 459 households, 350 households are transmigrants. The community began entering the area since 1981 and cleared land for agriculture. But there are also people who planted rubber.

As time goes by, the majority of the Telaga Satu Village residents are interested in developing independent oil palm plantations. The community's eagerness was inspired by their neighboring village, Telaga Dua Village, where the economy of the community has improved due to oil palm.

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