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Research article

Exclusion of Smallholders in the Indonesia Palm Oil Industry

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Abstract.

Indonesia produces and exports the most palm oil in the world. In practice, palm oil farmers are regarded as one of the most important contributors to the global palm oil industry chain's trajectory. Farmers were actively involved in the Core-Plasma Plantation mechanism with the Member Primary Credit Cooperative (KKPA) scheme. However, putting this ideal picture into practice proved difficult, resulting in a slew of issues. Conflicts frequently arose as a result of the KKPA in Riau Province, home to Indonesia's largest palm oil plantation. Community advocacy teams in three villages in Tambang District, Kampar Regency, informed the Regent about the polemics that occurred in the KPPA nucleus-plasma scheme involving village unit cooperatives, the community, and parent companies. The goal of this article was to investigate how the KKPA was implemented, and how it resulted in smallholders being excluded. This qualitative study relied on interviews with cooperative management, farmer groups, PTPN (a state-owned enterprise in the plantation sector) as the core company, plantation officers and farmers in Riau Province. The study was conducted from May to June 2021, and it revealed that the KKPA's implementation was far from ideal. Farmers were excluded from the development of the palm oil industry. Parties' rights and obligations were subject to asymmetrical information or bias. Farmers have lost control of their own land as a result of the size of the deduction from their harvest. The data on the debts and total instalments that have been paid must be made public so that the public is aware of the shortfall and timeframe.

Keywords: exclusion of palm oil smallholders, nucleus-people plantations, KKPA

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1. INTRODUCTION

Global demand for commodities, including soy, cocoa, coffee, beef, wood and pulp – and palm oil - has increased rapidly over the past few decades, and is expected to continue to grow in the next upcoming years. Among these commodities, palm oil has attracted significant attention. As an efficient and versatile crop, palm oil has supplied most of the global demand for vegetable oils. Global palm oil chains require high supply. Tropical countries particularly ASEAN regions are the key to this chain. This is not without consequences. Soils in a high humidity of tropical regions not only suitable for palm oil production but also valuable in terms of biodiversity, ecosystem services, and for ensuring food and fuel security for local communities. Meanwhile, social and

environmental impacts are a serious problem in the ASEAN Region due to land clearing for palm oil (Li, 2011).

Palm oil production has grown rapidly in Southeast Asia in recent decades, and more recently in West Africa and Latin America, with further growth expected (A. & P., 2014). In fact, in just one year from 2017 to 2018, global production has increased 7% from 65 to 70 million tons, with more than 20 million hectares of new palm oil plantations developed worldwide. Indonesia and Malaysia are the largest producers (about 40 and 20 million tons relatively), followed by Thailand and Colombia (with 3 and 2 million tons) (USDA-FAS, 2018). At the regional level, Southeast Asia represents 89% of total global production, while Latin America produces 6% and Africa 5% (P., S., A., H., & B., 2017). Palm oil is imported by all regions, with Asia as the largest consumer followed by Europe (COWI A/S 2018).

Another reason underlying the rapid growth in the palm oil industry is the increasing demand for vegetable oils for food, cosmetics, feed and fuel, associated with population growth and the significant increase of the living standards. Palm oil also has superior yields compared to other oil crops, leading to greater financial benefits for all involved (A. & P., 2014; P. et al., 2017). Thus, palm oil can provide much higher incomes for smallholders and laborers than what they earn from agriculture. For this reason, the palm oil program has significantly reached millions lives out of poverty (D. et al., 2009), and contributes to local jobs and infrastructure development.

Indonesia is the world's largest producer and exporter of palm oil which practically has made it become the most-leading palm oil exporter in the last decades. In addition, palm oil is also one of the largest foreign exchange revenues from the non-oil and gas sector. Based on data from the Directorate General of Plantations (2018), the total area of Indonesian palm oil plantations in 2017 reached 14.0 million hectares. In the past, since 1984, palm oil industry was dominated by large state and private companies. In 2002, the total area of plasma plantations accounted for 35% of the country's total palm oil plantation area; this has increased to 42% in 2003, and to 41% in 2018. Smallholders must therefore play an active role in the global palm oil supply chain. The latest data shows that the total area of palm oil plantations in Indonesia in 2017 reached 14.0 million hectares. Of this amount, 5.6 million hectares (40%) of which are community plantations (PR), 7.7 million hectares (55%) are large private plantations (PBS) and 0.7 million hectares (5%) are state-owned large plantations (PBN). With the plasma plantation scheme, palm oil plantations in Indonesia do not only grow from companies, but also from smallholder palm oil plantations which have grown so rapidly in the last few decades either through government or self-help programs.

Plasma plantation schemes ideally want to increase community involvement in inclusive global supply trajectories. Inclusive supply chains are meant to include participation by all players for mutual benefit through collaboration with large companies. The success of an inclusive supply chain can be measured through four components including ownership, voice, risk and reward (Huppert 2015; Sjaw-Koen-Fa, Blok and Omta 2018; (Chalil, Barus, & Khrisnamurti, 2018). Indonesia case has shown that community participation in improving welfare was still low (Chalil et al., 2018).

Economic problems of farmers in the PIR palm oil nucleus-plasma partnership include the dependence of farmers on the productivity of plasma plantations and the amount of free time compared to underemployment. (Nugroho, 2018). This condition has made plasma farmer earned a very low income. This classic low-income problem was crucial according to the Palm Oil Research Center (Agustira, Amalia, & Nurkhoiry, 2015) due to the use of fake plant materials, low application of technical culture, slowdown in replanting, and weak institutions/farmer groups. Other research according to Elisabeth (2013) (Horntvedt, Nordsteien, Fermann, & Severinsson, 2018) describes minimal land productivity as the main problem. Another study in Kalimantan area also showed that the implementation of nucleus-plasma plantations is not in accordance with regulations, there is an imbalance among farmers, KUD, and companies (see (Agustira et al., 2015; Chalil et al., 2018; Sari, 2017; Zubir et al., 2016). The imbalanced relationship also resulted information gaps from the company to the KUD and farmers so that it did affect farmers' income.

Similar problem also happened in Riau, province with the largest land area and the largest palm oil production in Indonesia. Based on data from the Riau One Stop Service Investment Office (DPM PTSP), the area of palm oil plantations in Riau in 2018 was 2.424.545 (2,4 million). In 2019, the area of palm oil plantations increased to 3.38 million hectares or about 20 percent of the total national palm oil plantation area. Of the total area of palm oil plantations in Riau, about half are smallholder plantations managed by the community with a plasma plantation system. Amongst the entire administrative area in Riau province, Kampar regency is the largest palm oil area, with 416.393 hectares of palm oil plantations. Yet, there were frequent reports of violations of the KPPA scheme in these areas. Community advocacy teams in three villages of Tambang district, Kampar regency have been reported to the Regent regarding the polemic that occurred in the KPPA nucleus-plasma scheme involving the Village Unit Cooperative, Community, and Holding Company (harianriau, 2017). On this basis, Tambang District was the exact locus to be socially researched for its dynamic phenomenon of palm oil.

To be concluded, based on the objective and subjective perspectives above, this scientific article tries to provide an analysis related to the position of farmers in the global supply chain trajectory, especially the implementation of the plasma core scheme using KKPA financing.

2. LITERATURE REVIEW

2.1. Ideal Description of Nuclear-Plasma

Plantations Nuclear plasma plantations or PIR is one of the schemes applied to palm oil plantations throughout Indonesia (Figure 1). The PIR scheme was firstly introduced and developed aligned with the transmigration program since the 70s. In the PIR concept, large plantation companies, both national and private, act as the "core", while the surrounding plantations, a type of smallholder plantation, are called "plasma", with farmers being allocated 2 ha/KK of land and houses from the nucleus at the development stage. The intended purpose is to increase production, increase farmers' income and develop local economy.

More concretely, the core company has the following obligations (Fauzi et. al. 1992; Yahya 2005). (1) Carrying out the development of plasma plantations in accordance with the instructions and physical standards set by the Director General of Plantations. (2) Providing technical guidance on palm oil cultivation and management to plasma smallholders. (3) Building nucleus plantations equipped with processing facilities, namely palm oil mills (PKS) to accommodate the results of nucleus and plasma plantations. (4) Purchasing all the production of fresh fruit bunches (FFB) from plasma plantations at a purchase price regulated by the Minister of Forestry and Plantations. (5) Supplying the raw material for plasma plantation cultivation referring to the agreed price. (6) Assisting the process of paying off the plasma farmers' loans.

Meanwhile, plasma farmers are obligated as follows. (1) Paying credit within a maximum period of 15 years and maintaining the plantation until the credit is paid off. (2) Operating plantations in accordance with the technical guidance of cultivation and management given by the core. (3) Selling all FFB to the nucleus so that the PKS in the core does not fall into a state of idle capacity. However, the reality is different from the goals. The relationship between nucleus and plasma is said to have not been well established so that conflicts often occurred between them (Fauzi et. Al. 1992). In addition, recently the number of farmers from the community out of the PIR scheme has rapidly increased and triggered to open more area of forest without any consideration.

Another recent issue is how to increase the productivity of those who are not protected by systems such as PIR.

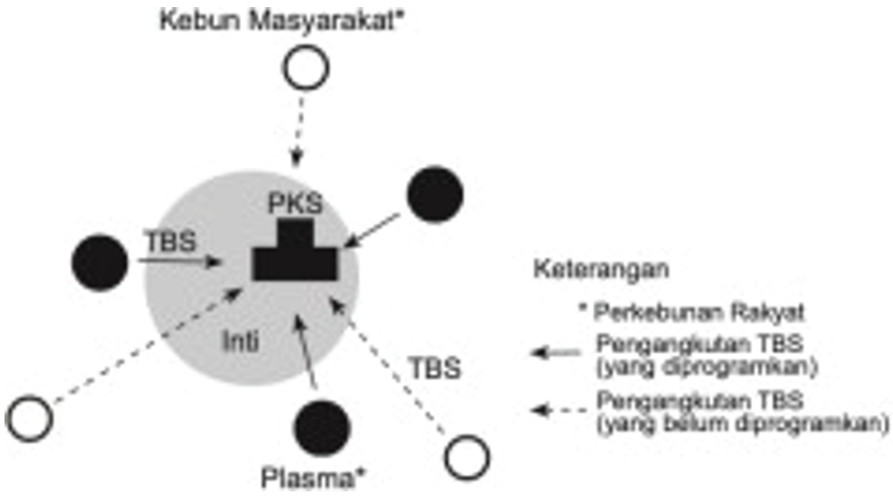


Figure 1: Inti-Plasma Scheme in Palm Oil Plantations Inclusive Development.

The nucleus-plasma scheme through the People's Core Company is considered by its supporters to be able to make development more inclusive. The goal of inclusive development is to ensure that the benefits of development can be acquired by all people without discrimination in any forms. Inclusive development encourages all community groups to contribute in creating opportunities, benefits, and participation in decision making, including community groups who have limited access to development. Inclusive community groups must be able to participate in the development process, starting from planning, decision making, implementation, monitoring, and evaluation of development. Inclusive development has also become the main development agenda in the government of the 7^{th} President of Indonesia, Joko Widodo.

"Inclusive" according to the Indonesian Dictionary is literally defined as "which includes". Inclusive development is development that involves all communities. This is in line with what was expressed by the United Nations Development Program (UNDP) which briefly defines inclusive development as economic development that involves and includes all citizens. In short, inclusive development can also be defined "development for all". Development is not only for those who are smart, rich, healthy, and have better abilities or high positions, but those who are less fortunate and less cared for have the right to enjoy the benefits of development.

The International Policy for Inclusive Growth (IPC) views inclusive development as both an outcome and a process, namely ensuring that everyone can participate in the growth process (decision-making) and ensuring that everyone benefits from this

growth fairly and equitably (Perch and Labbate, 2011). This definition is consistent with the argument put forward by Rauniyar & Kanbur (2010) that inclusive development discusses the distribution of welfare where the benefits of development can be felt by all communities. Sach (2004: 36) argues that inclusive development is necessary to ensure civil rights. The civil rights referred to by Sachs are the ownership of equal access by all people in public services. According to Oxfam, a world development organization that mobilizes community strength in fighting poverty, inclusive development is a development approach that favors the poor who share the same values and synergize the contributions of all stakeholders including marginalized groups in addressing development issues. Oxfam states that inclusive development can create transparency and accountability, and improve development outcomes through collaboration between civil society, government and the private sector (www.oxfam.org accessed on February 4, 2020 at 11.29 WIB).

Another opinion was expressed by Cozzens & Sutzh (2012) which views inclusive development as an action taken by marginalized communities, namely as follows, “inclusive development as encompassing actions that are both by and for currently marginalized group done by and for today’s marginalized groups”. This opinion supports statement by Gupta et al. (2015) which defines inclusive development as:

“We define inclusive development as development that includes marginalized people, sectors and countries in social, political and economic processes for the increase of human well-being, social and environmental sustainability, and empowerment.”

Based on the definition of Gupta et al. (2015), inclusive development is development that includes the participation of marginalized communities, the government sector, the political sector, and the economic sector that are interrelated in social processes to improve community welfare, uphold sustainable resources, and empower communities.

Gupta et al. (2015) argues that there are six reasons why inclusive development is considered appropriate, namely (1) normative considerations; a fear about how the poor being marginalized in social life; (2) legal reasons; human rights; (3) economic reasons; ensuring economic production by future generations and for strengthening community-based economic bodies; (4) security reasons; the poor have access to the law so that they live safety; (5) democratic reasons; involvement in decision-making and resource sharing and welfare; (f) relational argument; seeing poverty as a result of the actions of others.

Based on the opinions of the experts above, the researcher concludes that inclusive development is a development concept that emphasizes social aspects by distributing

development benefits fairly, eliminating exclusivity, and involving community participation, especially marginalized communities.

Several studies above only focused on institutional and environmental issues. Studies, such as Tania Li (2011) and Bissonnette (2013) analyzed those related to labor mobility in palm oil plantations. *The state of the art* of this research is the analysis of the position of farmers in the nucleus-plasma palm oil plantation industry, especially in the scheme of Nucleus People's Plantation-Primary Member Cooperative Credit (KKPA). This study did not test a theory but more about how to get a better understanding about the relationship among small farmers, the government, and the private sector. The case study tried to analyze whether the claims from supporters of the nucleus-plasma scheme and KKPA could become a development solution to a more inclusive scheme in improving the welfare of the community. This study seeks to fill the void that analyzes the relationship among stakeholders and opened the discussion of the other side of the palm oil industry in Indonesia.

3. RESEARCH METHODS

This study uses a qualitative descriptive approach to see how the exclusion process in the implementation of palm oil plantations through the Primary Cooperative Credit scheme for Members in Riau. The data sources of this research are primary data and secondary data. Primary data were obtained through in-depth interviews with key informants and participant observation. Interviews were conducted to informants consisting of palm oil farmers who manage the land, cooperative parties, PT. Perkebunan Negara (state-owned plantation) (PTPN V), Department of Agriculture and Food Crops Riau Province.

In addition to interviews, primary data was also obtained through observational studies on community conditions and the environment around coconut plantations. palm oil in Riau. Secondary data was obtained through literature study and literature study of related primary data, results of previous research, and regulatory documents related to palm oil plantation management policies at the regional and national levels. Data collection techniques in this study were carried out using in-methods *depth interviews*, observation and documentation.

Interviews conducted to see how the implementation of "Inti Rakyat Perkebunan for Palm Oil Plantations" scheme through the Primary Cooperative Credit scheme for Members in Riau, as well as the impact of the scheme. Observation in this study used to reveal how the process of exclusion of farmers from the "Inti Rakyat Perkebunan for

Table 1: Impact of Palm Oil Plantation on Farmers.

Year	Research	Research Title	Journal	Topic	Tool of Analysis	Object of Analysis
2015	Muhammad Risal	Multinational Corporation (MNC) Palm oil Plantation in East Kalimantan: Impact of Aspects Environmental, Socio-Cultural, and Economic	Journal Interdependence	The impact of the presence of company MNC in the field of palm oil on economic, social, cultural and environmental aspects	Case study	MNC Palm oil in East Kalimantan
2013	Jean Francois Bissonnette	Processes of land accumulation and patterns of labor mobility in large-scale palm oil smallholding schemes in Indonesia	LDPI Working Paper 47	How the development of palm oil affected the process of land accumulation and mobility patterns labor in smallholder plantation schemes nucleus (palm)in Indonesia.	In-depth fieldwork	Schemes of smallholder plantation nucleus, mobility labor, process of land accumulation
2011	Tania Murray Li	Centering Labor in The Land Grab Debate	The Journal of Peasant Studies	Workers' perspectives in land grabbing	Critical reading	Word Bank's report on rising global interest in farmland, workers' perspectives: studies conducted in Sulawesi and Kalimantan
2011	Nursiah Chalid	Development of Palm oil Plantations in Riau Province	Journal Economic	How the development of oil palm plantations in Riau Province	Quantitative descriptive through secondary data.	Development of the area, production and productivity of oil plantations palm in Riau
2011	Way Hutabarat	Evaluation of Investment Palm oil PIR in Gading Sari Village, Tapung Sub-district, Kampar Regency	Highlight: Journal of Science Social of Riau	Evaluate and analyze the investment performance of palm oil cycles and how the business prospects of palm oil plantations	Case study	PIR scheme practice in Gading Sari Village, Tapung Sub-district, Kampar Regency

Source: (Liang, Chang, Yao, King, & Chen, 2016) (Li, 2011)

Palm Oil Plantations" through the Primary Cooperative Credit scheme for Members in

Riau, as well as the impacts or problems from this exclusion. Documentation used to obtain direct information related to the management of palm oil plantations, regional regulations, and other relevant frameworks of regulation. The locus in this research is the Tambang District, Kampar Regency, Riau Province. The location selection was based on the condition that Riau is the province with the largest palm oil plantation area in Indonesia. The study was conducted in May-June 2021.

4. RESULTS AND DISCUSSION

The process of farmer exclusion referred to the relationship among actors in the PIR-KKPA scheme. Plasma development of palm oil at the research locus is a leading commodity where cultivation was growing very rapidly. In the early stages, the process of managing the operationalization of plasma palm oil plantations went very well. Problems began to arise at the time of plantation conversion when palm oil began to produce (fruit sand) where the management of the plantation was completely left to the farmers with the average management area between 1-2 ha, meanwhile the Core Company was only a source of technical guidance.

The behavior of plasma farmers attempted to pursue maximum short-term income and is less concerned about long-term risks such as decreasing land productivity. The management of palm oil at the research locus involves various parties consisting of cooperatives, customary stakeholders, state-owned enterprise (PTPN 5) and farmers. In the implementation of this collaboration according to the characteristics as stated by Carpenter (1990), some crucial points are such as follow:

1. The palm oil plasma program already has goals and objectives to be achieved but many internal problems from each actor still remained unsolved;
2. Each actor has limited participation in roles and functions, and in its implementation, there are tiered stages due to the stipulation of CPCL;
3. Each actor involved is also responsible for the implementation of palm oil plasma during the current period;
4. The actors have role in sharing knowledge in the form of providing technical guidance in the management of palm oil plasma.

Based on the characteristics mentioned above, the involvement of each actor requires various needs that support collaboration in implementing the goals and objectives it

has achieved. The relationship between the needs of the actors can be seen in the table below.

Table 2: Relationship among the Needs of the Actors.

No.	Actors Involved	The Needs of Actors
1	Smallholder	Good development of farm management An actual and affordable price of the availability of production facilities Low land degradation, pollution of soil, water, and air Loss of diversity biodiversity of low The availability of means of education, health and infrastructure other social with decent conditions Smooth marketing of TBS with adequate price The increased and sustained revenues
2	Company Core	Availability of workforce with sufficient skills Conducive circumstances of social, political and security to the development of palm oil Low social conflicts and political Availability of TBS that satisfies quality standards for viable and sustainable plantation advantage
3	Related Institutions	Operationalization of all activities in accordance with applicable laws and regulations Compensation for loss of adequate community rights An accordance land use under the framework of the regional spatial planning Planning, program development, and empowerment for local communities Absorption of non-skilled and skilled labor An increase and sustained income/revenue of the local economy and the people
4	Community Social Organization	Operationalization of all activities in accordance with applicable laws and regulations Compensation for loss of adequate community rights An accordance land use under the framework of the regional spatial planning Planning, program development, and empowerment for local communities Absorption of non-skilled and skilled labor An increase and sustained income/revenue of the local economy and the people

Source: Result analysis and adapted from Wigena (2009)

According to the results of research from Wigena *et.al* (2009) and the characteristics of the problems of the actors in the management of palm oil plasma at the research locus, several main points are such as follow:

1. The plasma farmers do not have comprehensive competence and skills which made plantation management only relies on habits (HR in the management of palm oil development);
2. Participation of relevant agencies in providing guidance and empowering the community was not optimal even though the technical assistance program has been carried out;
3. The status of land ownership has not yet become property rights;

4. There is no concern for plasma farmers for environmental sustainability;
5. The involvement of non-governmental organizations (NGOs) as companion institutions in the management of natural resources and the regional environment was not optimal;
6. Lacking of concern from stakeholders, especially regional policy makers to the prevention and conservation of land resources finally caused degradation of plantation land;
7. Guidance for the provision of fertilizers is not optimal;
8. Coordination between related agencies was still overlapping.

In the management of palm oil, a mutually beneficial relationship is needed between the actors involved such as farmers, cooperatives, local government/related agencies, social institutions to solve problems that arise. faced and looking for alternative solutions and shared responsibility for the management and development of palm oil at the research locus, this is in line with what was stated by Gray (1989).

Another thing that must be a concern for actors managing palm oil plasma at the research locus is to use various strategies that can develop sustainable management of palm oil plasma by developing the strategies proposed by Healey (1996: 208), namely:

1. Developing a social capital strategy, namely building trust, communication, and willingness to exchange ideas between elements of actors
2. Develop intellectual capital by understanding the various problems faced and being able to overcome these problems by approaching the parties concerned
3. Developing political capital by collaborating with both formal and non- formal institutions to strengthen networks.

When linked to the external environment by including other factors, the pattern of palm oil plasma management can be illustrated in the figure below:

4.1. KKPA Partnership Pattern in Riau Province

Smallholder palm oil plantations that grow side by side with corporations (state and private) are unique in the long history of palm oil plantation development in Indonesia. This condition can occur as part of the implementation of partnership policies by the

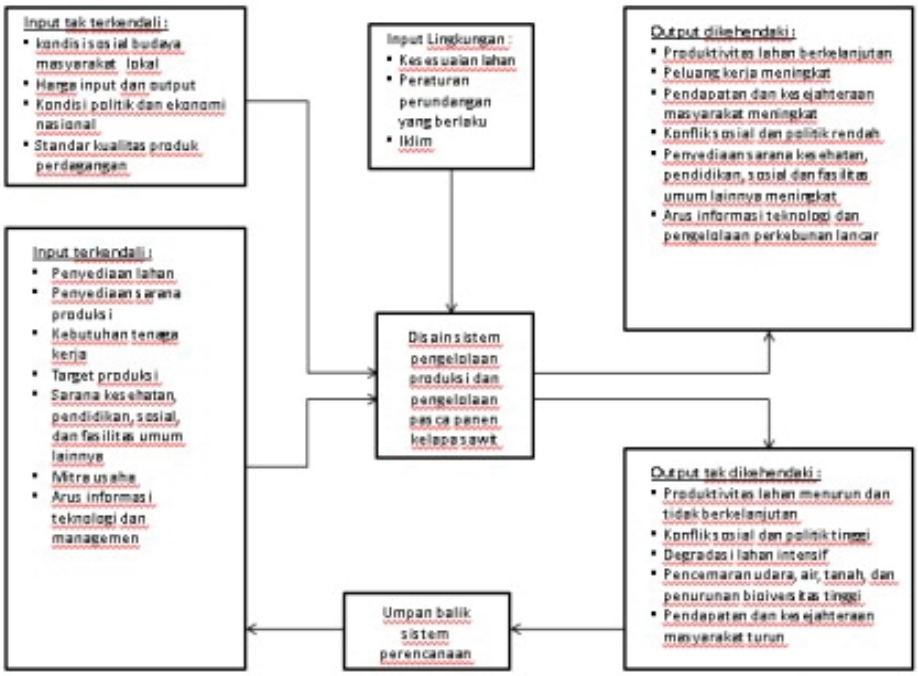


Figure 2: Input and Output Relationships in Palm Oil Plasma Management. (Source: Analysis results adopted from Wigena (2009)).

Indonesian government involving plantation corporations and the people since the late 1970s.

In the PIR pattern, state plantations (PTPN) and private plantations act as the nucleus, while people or smallholders act as plasma. The nucleus has duties and responsibilities in the form of developing prospective plasma estates as well as preparing, fostering, and guiding prospective plasma estates to properly maintain, manage, and accommodate plasma plantation produce.

The implementation of the first nucleus-plasma partnership concept by the Indonesian government financed by the World Bank through the Nucleus Estate and Small Holders (NES) I–VII project finally gave birth to PIR in 1978. The KKPA PIR partnership pattern is a form of developing local PIRs in terms of financing and institutions. associated with cooperatives. The KKPA PIR is financed with cooperative credit subsidies through 74 Village Unit Cooperatives (KUD) located around existing corporate palm oil plantations. The KKPA partnership is in contrast to the local and special PIR pattern, where in the KKPA pattern the management of plasma plantations is largely the core responsibility.

The KKPA model of palm oil plantations involve the government as a regulator, parent plantation companies (nucleus) and farmer groups who are members of cooperatives as partners or (plasma). Palm oil industry companies are obliged to leave land for the

community by 20% of the total land owned. The following is a picture of one of the first KKPA palm oil fields in Gobah Village, Kampar Regency, Riau.

Figure 3: Plasma Land KKPA Gobah Tanam Village Phase. (Source: Primary data research, 2021).

4.2. Partnership Pattern in KKPA Riau

KKPA is a partnership pattern of core and plasma companies in a cooperative forum to increase the land use of participating farmers in an effort to increase the income and welfare of members through long-term credit from banks. In this study, the core company in the KKPA pattern is PTPN V. In the KKPA pattern, the land comes from ulayat land/community land which then proposes to the company to develop palm oil plantations. Where at first, the core company, namely PTPN V only had the obligation to wake it up, then the task was completed. However, at PTPN's initiative, they volunteered to remain involved in the treatment process. In the process of waking this certainly

requires a lot of money. Then the cost comes from bank loans, with PTPN as an avalist (loan guarantor).

In the implementation of the partnership pattern, the rights and obligations of both parties are attached, between the core and plasma companies. The right is something that absolutely belongs to us and its use depends on us, while the obligation is something that is done with responsibility (Thefasthorses, 2015). In this study, the core company, namely PTPN, is obliged to plant and provide all maintenance needs. Where PTPN is obliged to manage until the replanting period (25 years). And farmers are obliged to sell the harvest to PTPN.

In this KKPA pattern, farmers submit their harvests to the KUD and proceed to the company. The harvest sales received by farmers come from the company. The company handed over the proceeds of the sale to the KUD to be given to farmers, after deducting several components of the contribution.

The KKPA Partnership pattern that runs at the research locus runs with a land scheme from residents, and 30 percent of the proceeds are handed over to PT. Land is obtained from hereditary inheritance. In the past, fathers and grandmothers managed the forest, so the land was passed down from generation to generation. Currently 1 lot consists of 2 hectares, but there are only half.

This pattern started planting in 2003. For 3 years it still hasn't produced fruit, it's still in the form of sand fruit that has not been sold for sale. The scheme is that PTP manages it for five years, after which it is distributed or returned to the farmers who own the land. For this scheme, farmers must use KUD. Farmers (deposit) to the KUD and the KUD is deducted by Rp. 100/kg, with a debt of 30 percent. The average price is set by PTP. Apart from PTPN V, several large palm oil companies operate in Riau, including SIP, GBN, GBI and Agra. 1 time per 2 weeks farmers get payment through KUD. 1 KUD consists of six farmer groups. 1 farmer group consists of 12 to 33 members. Phase 1 planting was carried out in 2001. Phase 2 planting was carried out in 2003. With a planting period of twenty five years. The following is an example of one KUD located in Gobah Village, Kampar, Riau.

The cooperative is intended as a bridge between core companies and plasma farmer groups. Under the Cooperative there are farmer groups that have administrators. If briefly described the relationship between farmers, farmer groups, cooperatives, and core companies as follows:

The picture above is an illustration of the relationship between farmers and farmer groups, cooperatives, and core companies. When the core company will establish plasma, what is done is to record the area of land that will be used as plasma plantations.

Figure 4: The Office of "Sukses Makmur" Cooperative. (Source: Primary research data, 2021).

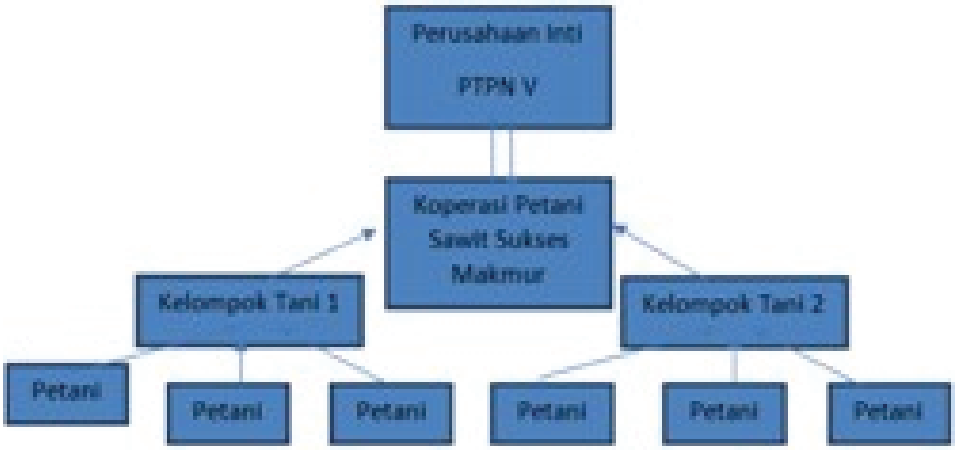


Figure 5: Relationship between Farmers – Farmer Groups – Cooperatives. (Source: Research results, 2021).

Then the community can apply to the plantation office regarding the establishment of PIR plantations with the KKPA mechanism. After providing data on the number of farmers and land, the farmers will form a farmer group consisting of 10 – 100 farmers, then from these farmer groups they will form a smallholder cooperative. The cooperative will become a bridge between farmers and companies. The company will initially provide land, carry out planting, and care through a cooperative (as an example is the case in Gobah village through the "Sukses Makmur" cooperative). The Cooperative "Sukses Makmur" is managed by representatives of farmers and village communities. The company assigned 2 people to provide assistance in each cooperative. As stated by Soleh, one of the administrators of a farmer group who is a member of the "Sukses Makmur" cooperative:

"The Cooperative "Sukses Makmur" was accompanied by 2 employees from PTPN V who provided assistance and counseling. After the planting period, it is necessary to carry out maintenance for approximately 5 years before the garden can produce.

Treatment is carried out together with other cooperative members." (Soleh, interview, April 2021)

The costs of planting, land clearing, and maintenance until the palm oils can bear fruit are taken from loans to the Bank. The borrower of the funds is named after the core company, then the core company divides it into cooperatives so that it is estimated that 1 lot will cost around 80 million rupiah. The company retains plantation land certificates as collateral until the debts from plasma farmers are paid off. This will be the beginning of problems in the management of people's nucleus plantations under the KKPA scheme.

4.3. Challenges from the Aspect of Farmers

Palm oil in Riau has failed to provide welfare to farmers. The research conducted found that the proceeds from the sale of palm oil were felt to be unable to meet the needs of farmers' livelihoods. Therefore, most of the farmers, apart from relying on income from palm oil management, also grow rubber and also grow privately owned palm oil.

The challenges faced in managing palm oil plantations from the aspect of farmer groups include the commitment of various members of farmer groups. Not all plot owners are pure farmers, and not all farmers prioritize KKPA palm oil care as their livelihood. Because of these various commitments, there are gardens that are able to produce optimal harvests because the gardens are well cared for. However, there are also gardens that are very minimal in producing crops because they are not properly cared for. Meanwhile, the calculation of debt is done on a group basis. This condition makes farmers who are diligent in caring for farmers have to bear the burden of lazy farmers. In addition, a lot of land has fallen into the hands of the umpteenth party. So that some of the land is no longer owned by local people. This condition makes farmers who are not local residents rarely see their gardens, and also rarely take care of the gardens.

4.4. KUD

KUD has a vital role in the implementation of this KKPA pattern. The challenges faced from the KUD side, there is a lack of transparency in policy making and financial management. Information obtained from PTPN was not properly forwarded to farmers. So that raises the suspicion from the farmers, that there is a lack of transparency committed by PTPN. Since the initial contract, KUD has been given a target by PTPN to pay monthly installments in a certain nominal amount. However, what happened was

an abuse of power. The money from the sale that should have been used to pay the installments was actually used to pay the SHU.

In addition, information from companies that should be directly conveyed to farmers stagnates and is not forwarded for personal interests. This is reflected in the results of the research conducted. Ideally farmers know how much they owe and how much money has been paid. Because every year, between the core companies, namely PTPN V and the Cooperative, sign the Minutes of Debt Recognition (BAPH). The same applies to other important information, which often stagnates at the KUD level. Of the 17 cooperatives that have become plasma in the PTPN V KKPA program, only 2 KUDs have been recorded as paying the right amount.

4.5. The Government's Role

In implementing the KKPA pattern in Riau Province, local governments do not have a major role in its implementation. The KKPA pattern is purely a business-to-business relationship. The basis of the relationship is built on an agreement or agreement. The government's roles in KKPA management include:

1. As a mediator or facilitator between farmers and entrepreneurs.

If there are objections from farmers or entrepreneurs, the local government has a role to mediate. However, based on several cases that have often been submitted for mediation, it is from the entrepreneur side, because the farmers do not pay their obligations. The stages are that the company or farmer sends a letter, then both parties are invited, and the government becomes the third party in the meeting.

In the existing partnership pattern, the local government considers that the safest is a partnership mechanism that gives full management to the company. Because based on experience, there are also many farmers whose debts are not paid off immediately. In this case, transparency and trust between the two parties are the keys to the successful implementation of the partnership. "The experience here is that as long as the company is transparent, the farmers are not noisy. Companies like that too, as long as the farmers pay, usually there is no problem. As long as the calculations are clear, the cost of the land, the amount of the debt is agreed upon, and the documents are held by both parties. Then the trust grows between the two, the important thing is transparency. "Plantation Service problem that often arises and causes conflict is that farmers do not pay according to the provisions. Then the lack of clarity on the contract and its calculations, so that the farmers feel that their debts will not be paid off immediately.

The problem that occurs is when the debt has not been paid off, then the price of palm oil goes down.

This condition makes the installments paid by farmers stagnated, and has an impact on extending the term of the debt. The lack of transparency in plantation management is also a challenge in implementing partnerships between farmers and entrepreneurs. This can be seen from the tendency of most of the farmers who have paid off their debts to the company, most of them do not want to reconnect with the company related to their palm oil management.

1. Conducting Seed Certification (Directorate General of Plantations, Ministry of Agriculture). Another role of the government is to certify seeds. The government encourages farmers to use superior seeds.
2. Conduct training to farmers and encourage farmers to use technology in the management of palm oil plantations.

The HGU or the obligation to partner with 20 percent can take various forms, such as coaching, replanting and so on. In phase I, the company is required to partner with 20 percent of community land. After the Phase I HGU is completed, the partnership pattern can be implemented through the provision of fertilizer assistance and other assistance, such as training.

4.6. Role of Custom in KKPA Implementation

In implementing the KKPA pattern, a local wisdom known as *ninik mamak* has a very strong role. Primordialism based on ethnicity is still prevalent. To determine customary and non- customary lands, as well as related to the distribution of customary lands, village leaders and top customary leaders have a strategic role. Usually by appointing old parents known as *ninik mamak*.

Palm oil is two sides of a coin, on the one hand it is a hope to fulfill the welfare of the community. On the other hand, the conversion of land into palm oil plantations means challenging deforestation. When comparing the management of palm oil plantations managed by companies and individuals, the management of palm oil plantations by companies has several advantages. First, the management of palm oil plantations by companies is usually managed more professionally. Second, the science and technology used is relatively high so that it encourages better efficiency and productivity. Third, palm oil management by companies is relatively more profitable as long as the costs and benefits are calculated carefully and accurately.

4.7. Spatial Planning Problems and Sectoral Ego between the Government

In managing palm oil plantations with the KKPA pattern, another problem that becomes a challenge is the problematic spatial layout. Prior to 2014, areas currently claimed to be forest areas were residential areas and partly community forest areas. The rules regarding the forest use agreement are regulated in a centralized manner regardless of what the existing conditions are. Nothing is clear regarding this land except for the land that was released to the company. So if we compare the map owned by the Ministry of Forestry with the existing conditions at the location, we can find that the area in the map is a forest area, the existing condition is a residential area, as well as public facilities that have existed decades ago. In fact, many residents have settled in the area for up to five generations.

Land problems in forest areas are often the root of social conflicts that occur in the community. The Ministry of Forestry who is ”allergic” to the narrative of ”conversion of palm oil land functions” ignores the conditions on the ground, even though historically the area is a community forest area that initially planted rubber and then converted the commodity into palm oil. And problems like this are considered as encroachment. The transfer of commodities from rubber to palm oil occurs because the community considers that economically rubber is no longer profitable. Even if it is profitable, it is not as big as palm oil. So, there is a transfer of commodities, from community palm oil plantations to palm oil plantations.

The issue of sectoral ego in determining the forest area map is one of the challenges in this palm oil management. The Ministry of Forestry which in carrying out its functions adheres to the principle ”every inch of land must be preserved as a forest area”, and in its implementation no authority is delegated to the regions. So that in the implementation of direct forest security, the authority is centralized, while the security is carried out by the regions (downward security).

Another problem that arises related to the management of palm oil plantations is related to the distribution of authority. Based on Government Regulation 38 of 2014, provincial authority only covers cross-regions that are under the province. Meanwhile, the problem of forest area management is inter-regional and cross-provincial.

4.8. Trust in the Smallholder Entrepreneur Partnership Scheme KKPA

Sunarko (2009) said, the key to partnership is a process that requires increasing the intensity of core and plasma relationships based on real and measurable trust with each other. In a partnership there must be a commitment that satisfies both parties, mutual trust and dependence between the two parties.

Transparency and trust between the two parties are the keys to the successful implementation of the partnership, as obtained in the following interview:

"The experience here is yes, as long as the company is transparent, the farmers are not noisy. Companies like that too, as long as the farmers pay, usually there is no problem. As long as the calculations are clear, the cost of the land, the amount of the debt is agreed upon, and the documents are held by both parties. Then the trust grows between the two, the important thing is transparency."

The problem that often arises and causes conflict is that farmers do not pay according to the provisions. Then the lack of clarity on the contract and its calculations, so that the farmers feel that their debts will not be paid off immediately. The lack of transparency in plantation management is also a challenge in implementing partnerships between farmers and entrepreneurs. This can be seen from the tendency of most of the farmers who have paid off their debts to the company, most of them do not want to reconnect with the company related to their palm oil management.

4.9. Asymmetrical Information

In the case of KKPA implementation in Riau, there is asymmetrical information or information that is disconnected regarding the rights and obligations of both parties. Farmers feel that PTPN is not transparent in finances, so farmers feel they only continue to pay without getting certainty about how much debt they have left, and also certainty regarding their land certificates. Even after triangulation of data in the field, it was found that the discontinuity of the information occurred at the cooperative level (KUD). KUD does not pass information directly to farmers.

4.10. The Role of the Company

Companies in this case PTPN have a very important role for farmers in loan problems, because credit loans are made through banks to cooperatives and companies as loan

guarantees. So far, if there are arrears or shortages in paying, PTPN as a loan guarantee company pours out bailout funds to meet farmers' payment obligations.

4.11. Impact of Smallholder Nuclear Plantation-Primary Member Cooperative Credit (KKPA) on Palm Oil Farmers

The pattern of management of palm oil plasma at the research locus has not had a significant impact, because the partnerships that have been built have caused a lot of harm to the farmers. This can be seen from the burden that must be borne by the farmers in the management of this palm oil plasma.

The financing scheme for the 8-year planting period is 40% for operational costs, 30% for SHU and 30% for bank installments. The pattern of financing in collaboration with KUD did not run smoothly because there were internal problems that were resolved and had an impact on the welfare of farmers.

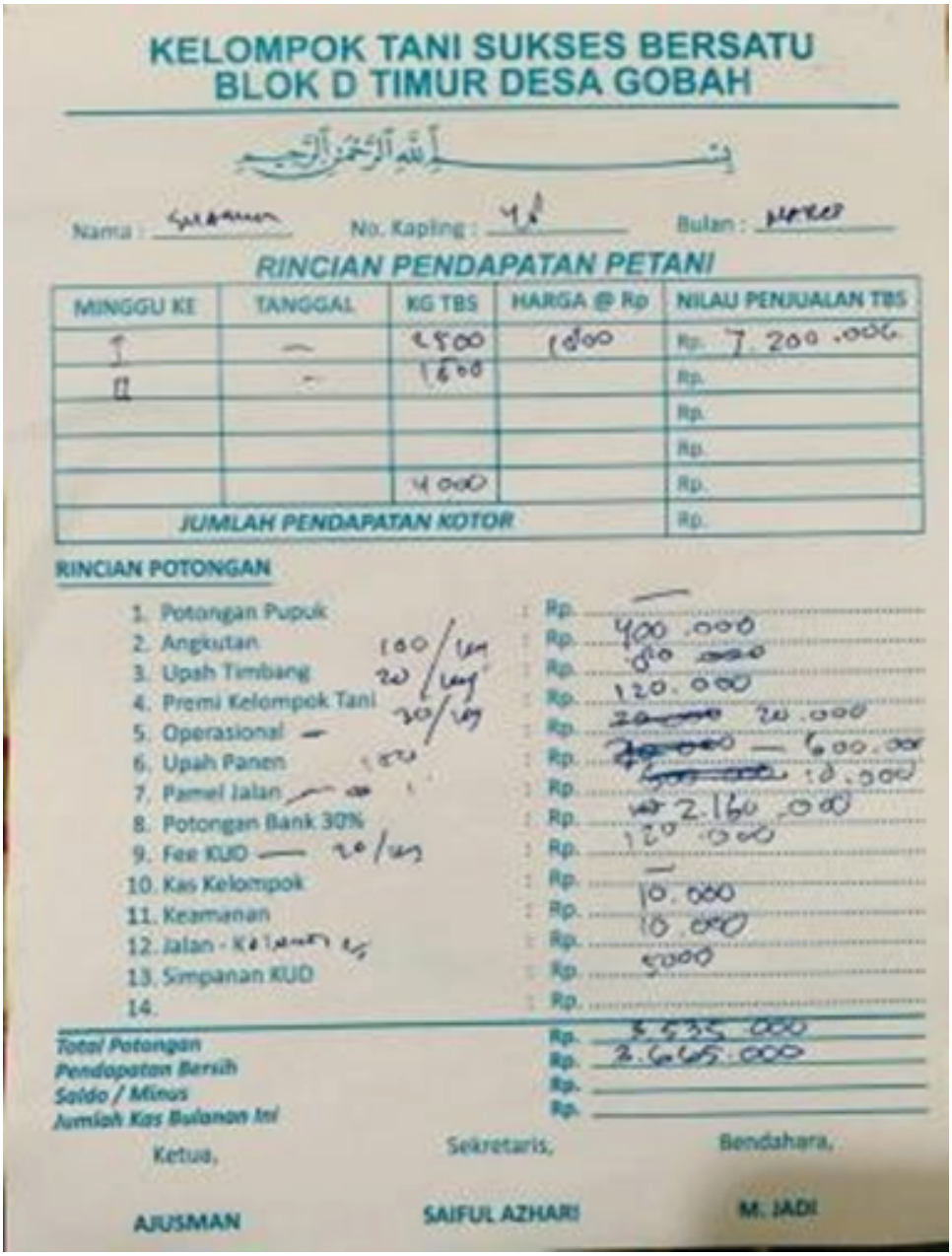
Based on the data from the interview with Mr. Gede from PTPN 5, it was explained that the financing for 1 cycle until replanting costs approximately Rp. 360 billion (Rp. 243 billion financed by PTPN 5 and Rp. 117 billion financed by banks). Financing by banks is the burden of farmers because until the research is carried out, the farmers still bear the financing and do not know how much they have to pay to the bank and KUD.

The lack of information received by farmers makes them feel disadvantaged. The reason is, each harvest per farmer gets a large enough discount for interest and debt payments. Even some farmers feel that the costs paid are not endless, even at the time of replanting. This means that until there are 25 years the debt is still there and farmers continue to cut it.

In addition to deductions for payment of KKPA debts, the results from the harvest usually get another deduction from the cooperative. The following is an example of an example of a harvest receipt from a farmer paid by a cooperative:

A closer look to the proof of payment for palm oil harvest from a farmer by the "Sukses Makmur" Cooperative, you can see the total amount of cuts almost 50% of the total generated. There are 13 discount components ranging from fertilizer discounts, transportation, weighing wages, farmer group premiums, operations, harvest wages, road pamphlets, 30% bank discounts, KUD fees, group cash, security, roads, and KUD savings.

The proof of payment from the sale of palm oil from the successful farmer group Bersatu below also provides a similar picture. The discount received by farmers is almost



KELOMPOK TANI SUKSES BERSATU
BLOK D TIMUR DESA GOBAH

بسم الله الرحمن الرحيم

Nama : Sukaman No. Kaping : 48 Bulan : Maret

RINCIAN PENDAPATAN PETANI

MINGGU KE	TANGGAL	KG TBS	HARGA @ Rp	NILAU PENJUALAN TBS
1	—	2500	1800	Rp. 7.200.000
2	-	1600		Rp.
				Rp.
				Rp.
		4000		Rp.
JUMLAH PENDAPATAN KOTOR				Rp.

RINCIAN POTONGAN

1. Potongan Pupuk		Rp. —
2. Angkutan	100/kg	Rp. 400.000
3. Upah Timbang	20/kg	Rp. 80.000
4. Premi Kelompok Tani	30/kg	Rp. 120.000
5. Operasional	—	Rp. 20.000
6. Upah Panen		Rp. — 6.000.000
7. Pamel Jalan		Rp. 12.000
8. Potongan Bank 30%		Rp. 2.160.000
9. Fee KUD	20/kg	Rp. 120.000
10. Kas Kelompok		Rp. —
11. Keamanan		Rp. 10.000
12. Jalan - Kelompok		Rp. 10.000
13. Simpanan KUD		Rp. 5000
14.		Rp.
Total Potongan		Rp. 3.535.000
Pendapatan Bersih		Rp. 3.665.000
Saldo / Minus		Rp.
Jumlah Kas Bulanan Ini		Rp.

Ketua, Sekretaris, Bendahara,

AJUSMAN SAIFUL AZHARI M. JADI

Figure 6: Proof of Payment for a Farmer's Harvest by Cooperative. (Source: Primary research data (2021)).

50% of the total earned. The pieces are classified as very large because the production costs have not been calculated in the process of treating palm oil until harvesting again.

From the two data above, the largest discount is bank installments which reach 30%. This number is averaged for all farmers. The harvest yields which are handed over to farmer groups which are then handed over to the core company are cut by 30% for bank installments, the exact amount of which they do not know. Farmers whose yields are large or small (depending on treatment) experience the same large discount of 30%. The discount for members of the "Sukses Makmur" Cooperative has been going on for

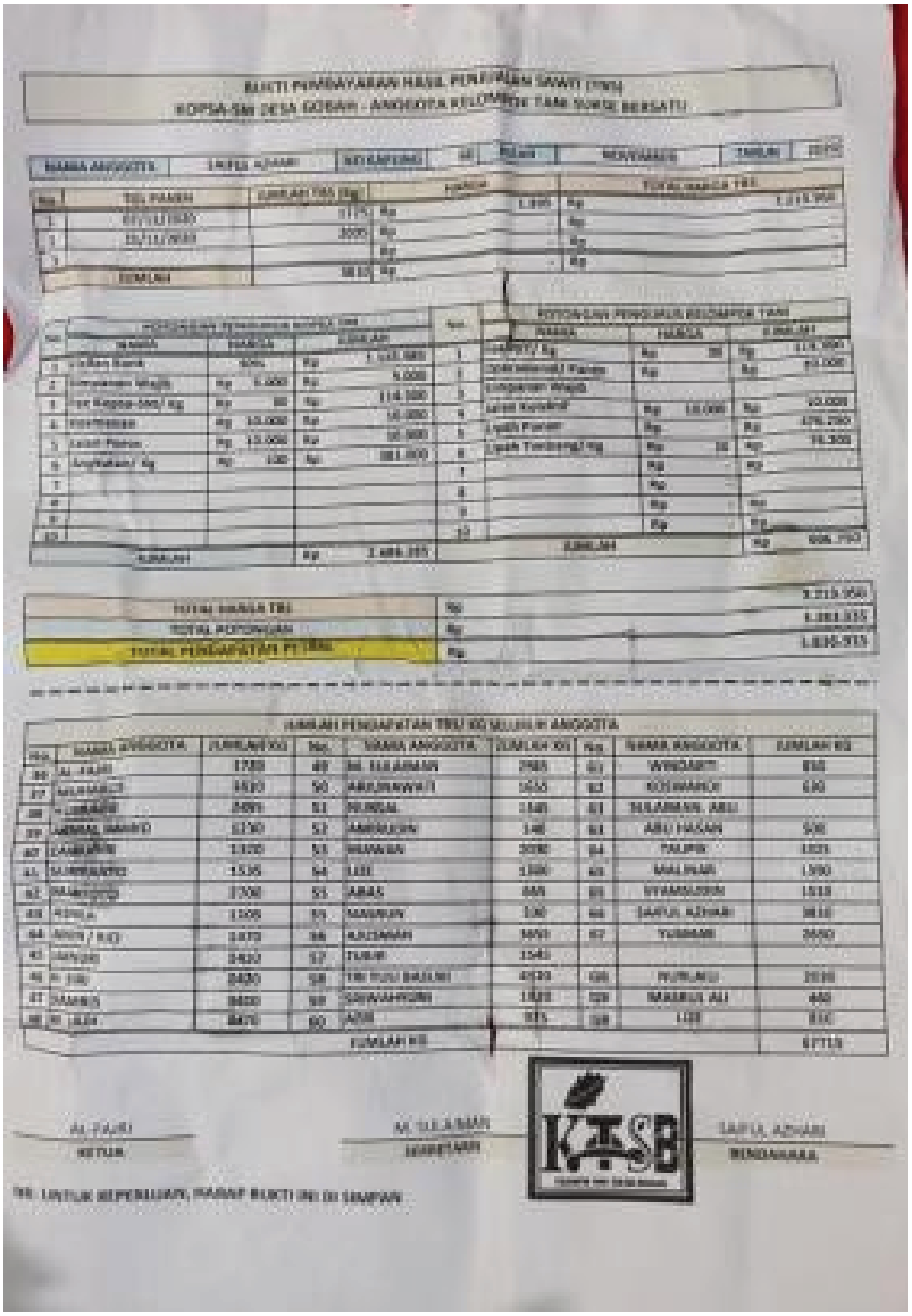


Figure 7: Proof of Payment for Palm Oil Sales. (Source: Primary research data (2021)).

5 years after the first planting period, namely 2006. Until now, it has been more than 10 years since the farmers paid the KKPA installments which were used for initial capital for land clearing and planting. This condition makes plasma palm oil farmers under the KKPA scheme feel excluded from their own land. They feel they do not get complete information and are alienated from the harvest of their own plantation land.

5. CONCLUSION

In the case of KKPA implementation in Riau, there is asymmetrical information or information that is disconnected related to the rights and obligations of both parties. Farmers feel that PTPN is not transparent in finances, so farmers feel they only continue to pay without getting certainty about how much debt they have left, and also certainty regarding their land certificates. Even after triangulation of data in the field, it was found that the discontinuity of the information occurred at the cooperative level (KUD). KUD does not pass information directly to farmers. In addition, there is a process of exclusion of farmers from the development of palm oil plantations due to the implementation of the KKPA. The size of the deduction from the harvest that he gets makes the farmer feel he has lost control of his own land. In addition, cooperative management that is not transparent makes farmers only as objects of development who do not have the power to be involved in determining policies and processes for developing palm oil plantations.

It is necessary to open data on debt and total installments that have been fulfilled so that the public can know the shortage and time period. Then they can encourage the activities of other KKPA members to take care of their land. With these conditions, it is expected that farmers have a role in the development process.

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