

# **OIL PALM SMALLHOLDERS IN INDONESIA: ORIGIN, DEVELOPMENT STRATEGY AND CONTRIBUTION TO THE NATIONAL ECONOMY**

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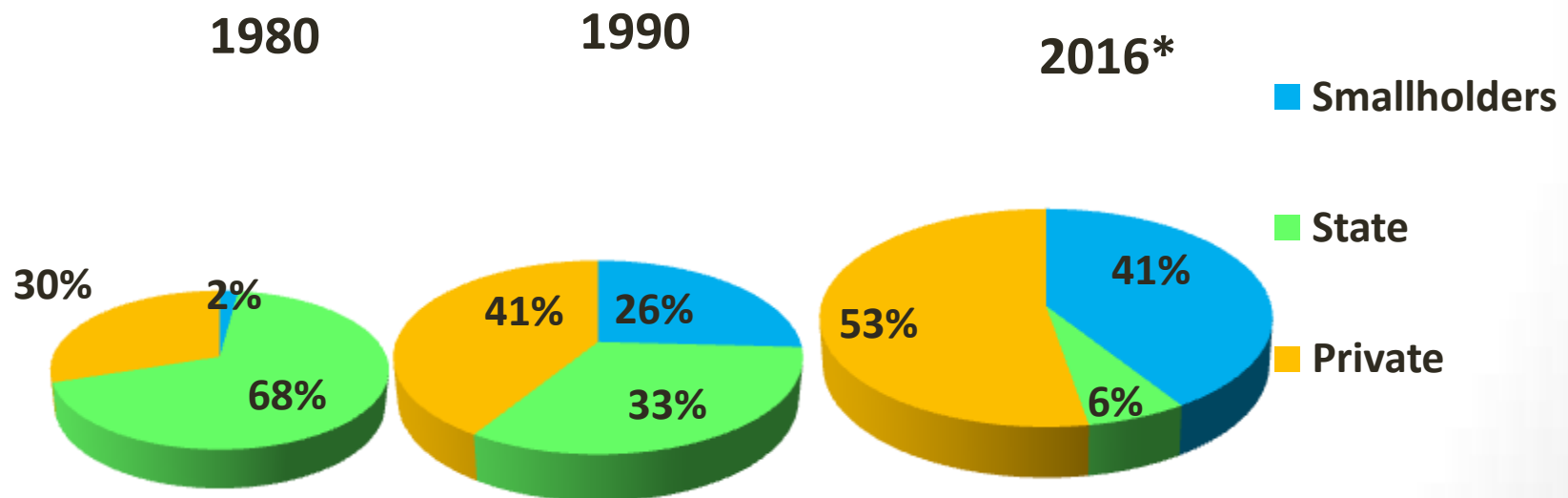
# INTRODUCTION

Two elements of the Indonesian oil palm based industry :

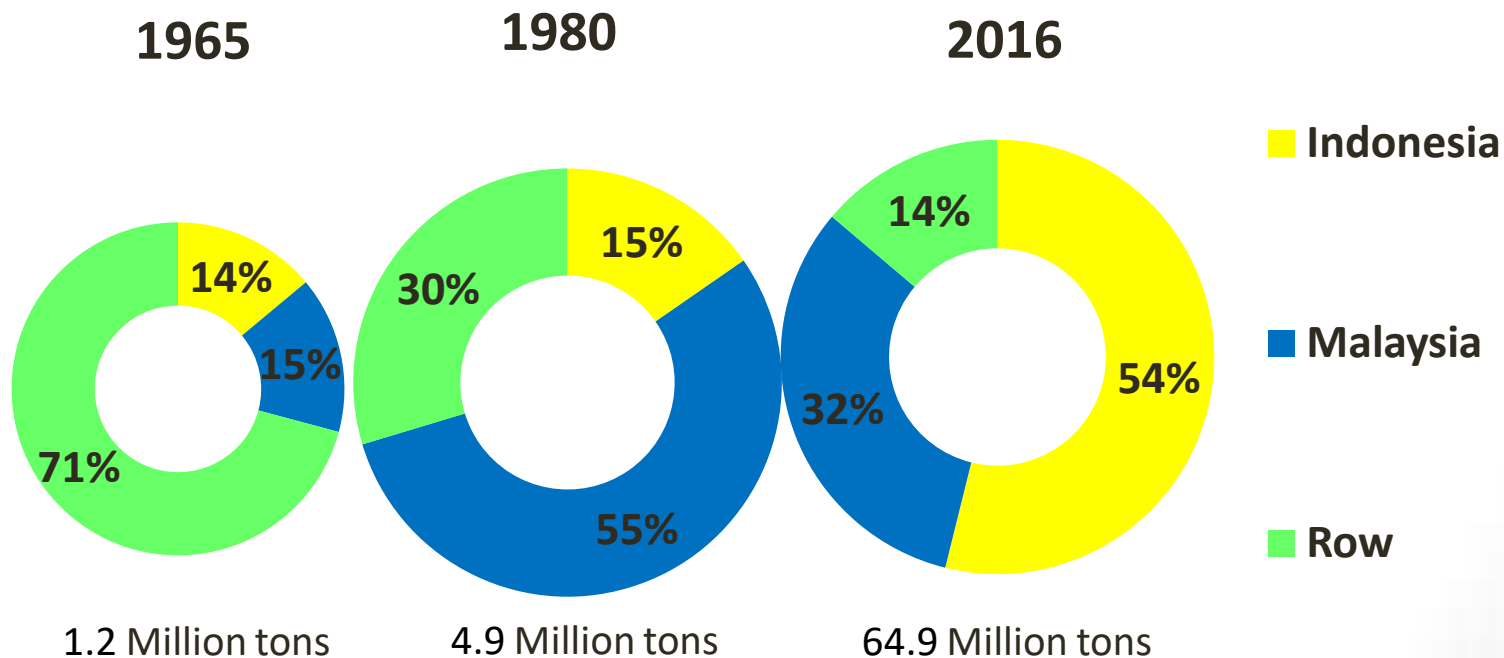
1. first, the lessons to be learned from the policy process leading to Indonesia becoming the world's main producer, particularly the massive increase in the area under smallholders; and
2. second, the current challenges faced by Indonesia's smallholders and the future of the smallholders.

# CONTRIBUTION OF SMALLHOLDER

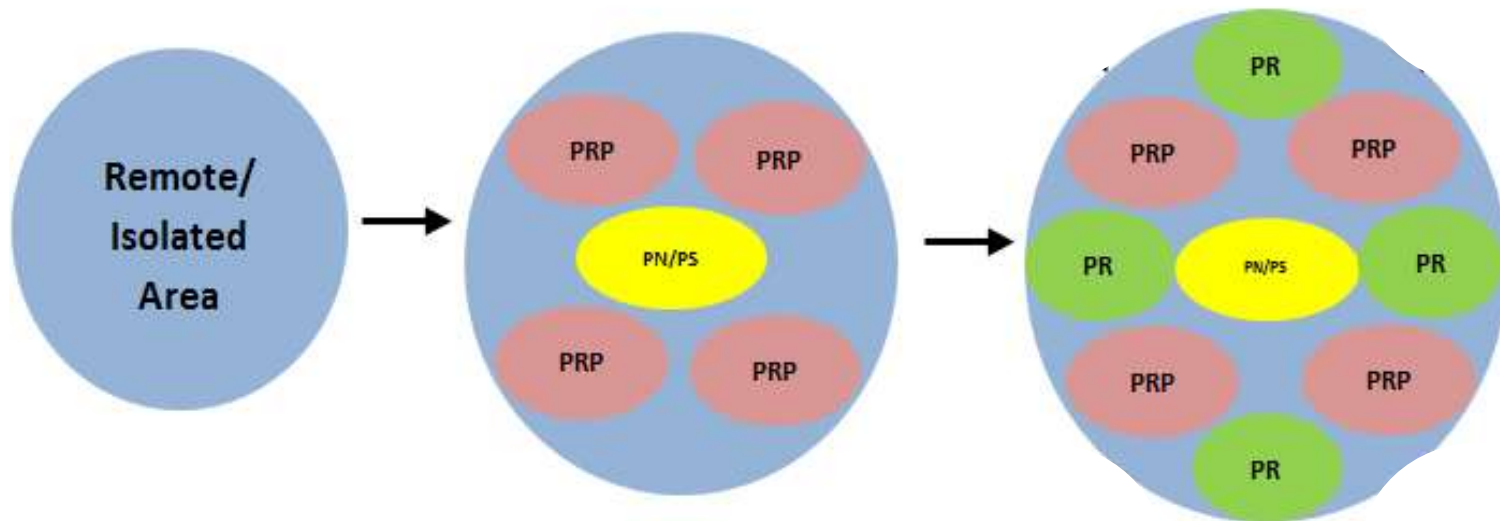
- Major role for oil palm smallholders which in 1982 occupied 2 % of the total area planted to oil palm and who cultivated 41 % of the total area by 2016



- Indonesia becoming the world's largest CPO producer since 2006 and in 2016 its share in the world palm oil market reached 54 percent, while Malaysia is in the second position with a share of 32 percent.



- ❑ The expansion of oil palm into poor and isolated areas lifted whole regions out of poverty, and local centres became local locomotives of growth.

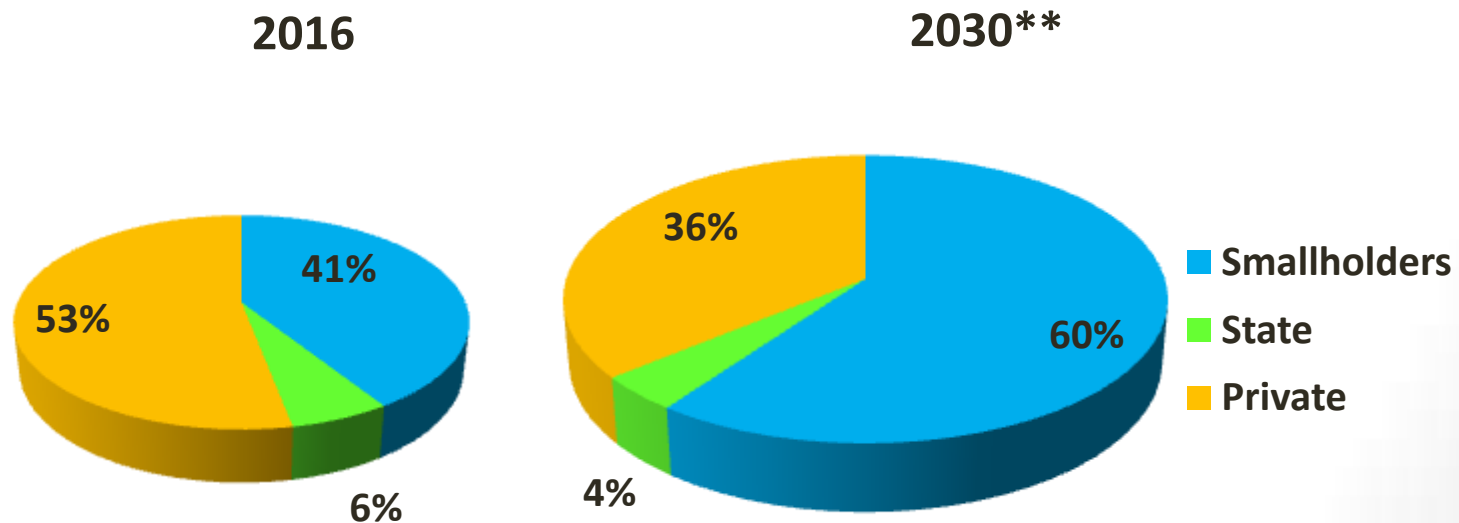


**PS** : Private Plantation  
**PN** : State Plantation  
**PRP** : Plasma Farmers' Plantation  
**PR** : Independent Plantation

- ❑ The fact that smallholders participated in growth meant that income from production was distributed among the population.
- ❑ This led to income achieving middle income status in the previous decade.
- ❑ The process beats all economic text book prescriptions, it was not a big push as in Rosenstein-Rodan's thinking – the Big Push – a concept he launched with an eye on recovery from the Second World War in Europe. It also did not follow the concept of Peroux – who said that development could be brought about by urban development, drawing its rural surroundings into a process of development.

# FUTURE CHALLENGES

- Towards the year 2030, the share of the smallholder oil palm sub-sector is projected to increase to 60 percent of the total area of oil palm plantations.



\*\*forecast

- ❑ The future of Indonesia's palm oil plantation lies with the smallholders.
- ❑ The global price level is the main issue which will decide and influence the future of the Indonesian oil palm smallholders.
- ❑ Increasing productivity from 3 tons/ha of oil (CPO + PKO) to 5-7 tons/ha requires a simultaneous replanting strategy and technical cultivation improvement.
- ❑ Improving sustainability is a major resource use issue and a major requirement of the compulsory Indonesian Sustainable Palm Oil (ISPO) certification system and the Round Table Sustainable Palm Oil (RSPO) certification system.



# CONCLUSION

- ❑ The oil palm smallholders have had a great impact in the Indonesian economy.
- ❑ Became both the locomotive of local rural economic development as well as the means of distribution of income.
- ❑ Smallholder oil palm together with private plantation and state plantation have successfully brought Indonesia into a CPO exporting country in global markets.
- ❑ Other impacts include labor absorption, GDP growth, and poverty reduction in Indonesia, brought the farmers into a middle-class economic society.

# Thank You

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