



Possibilities and challenges for developing a more inclusive and sustainable independent smallholder oil palm sector in Ketapang, Indonesia

Highlights

Independent smallholder oil palm growers currently suffers severe sustainability and inclusivity issues. Tropenbos Indonesia is committed to improve the performance of independent oil palm smallholders and thereby contribute to sustainable and inclusive landscapes. Interventions will take place in two different landscapes in Ketapang, West Kalimantan, between 2020-2024. Our programme includes providing farmers access to knowledge on Good Agricultural Practices, supporting collective action, strengthening or setting up Village Companies, satellite based as well as participatory mapping exercises, facilitate discussions among local actors and linking international funds for sustainable development with actual practices on the ground. This info brief provides an overview of main challenges and possibilities encountered so far.



Introduction

The palm oil sector has transformed rural landscapes in Indonesia and provides millions with jobs in Indonesia's outer islands. With export earnings worth more than 20 billion USD, palm oil has become the leading export product of Indonesia. Palm oil is controversial however as it is associated with deforestation, loss of biodiversity, fire, massive Green House Gas emissions, illegal land use, labour right infringements, marginalization of local communities and corruption. These controversies have led national as well as international stakeholders to take action and improve sector sustainability and legitimacy. Arguably the most relevant sustainability initiatives are the private sector led Round Table on Sustainable Palm Oil (RSPO) and the Government of Indonesia (GoI)'s response, the Indonesian Sustainable Palm Oil (ISPO) initiative. The UNDP, in collaboration with the Indonesian Ministry of Agriculture, initiated FoKSBI which developed a National Action Plan (NAP) to improve sector performance through a multi-stakeholder approach. In November 2019 the president of Indonesia transformed the NAP into presidential regulation (Inpres No. 6, 2019), highlighting the momentum for improving sector performance. The underlying assumption of these initiatives is that done in the right way and in the right locations, oil palm delivers more environmental and social benefits than competitor crops as soybean or rapeseed and therefore justifies our support.

The oil palm producers that are most often associated with poor performance are the smallholders. Whereas smallholder oil palm farmers covered nearly 6 million hectare in 2019 (DJP, 2019) and some of these are organized into 'plasma' schemes under company guidance, the vast majority of oil palm smallholders operate independently. Although plasma farmers often produce yields fairly similar to companies it is especially the independent smallholders that perform poorly. Company or government support is often absent for these farmers and they often suffer long, untransparent

value chains which decrease quality of produce, price and incentive to improve practices. Independent oil palm smallholders generally have poor access to high quality planting materials, finance, agricultural inputs and knowledge on Good Agricultural Practices (GAP), leading to low yields and low farmer incomes. Whereas these findings are nothing new (see e.g. Aidenvironment, 2013), they remain relevant (Jelsma, 2019).

In its 2020-2024 strategy, Tropenbos Indonesia (TI) commits itself to improving sustainability and inclusivity of the independent smallholder oil palm sector (Tropenbos Indonesia, 2019). It is clear however that this independent oil palm smallholder subsector is huge and diversity in landscapes and associated smallholder diversity needs to be acknowledged when developing appropriate interventions. This infobrief provides preliminary insights on independent smallholder palm oil sector in Tropenbos Indonesia's project sites in Ketapang, West Kalimantan and highlights the specific conditions of the independent smallholder landscapes there. First a characterization of the two sites is provided after which results from a preliminary survey on independent oil palm smallholders in the project area are briefly discussed. Subsequently TI activities and interventions are described, the main challenges are highlighted and some conclusions on the possibilities and challenges are drawn.

Landscape characteristics and boundaries

Our main activities are in the Simpang Dua and Pematang Gadung landscapes in Ketapang. Within each landscape a sub-landscape has been identified that explicitly captures different environmental and social conditions (see Table 1 and Figure 1). In short, the Simpang Dua landscape covers more traditional Dayak communities on mineral soils, who value their agroforestry production systems. Independent oil palm cultivation is taking place on a very limited scale only. The Pematang Gadung sub-landscape shows more ethnic diversity, is largely located on peat soils and in close proximity to the district capital. Independent smallholder oil palm cultivation is more common and locals appear only limitedly interested in maintaining their remaining forest.

Village Law No.6/2014 states that village governments are the smallest self-governing units with the authority and budgets to support their communities and manage their natural resources. Boundaries of the sub-landscapes are therefore based on village boundaries as these are deemed essential in developing inclusive strategies and monitoring progress on the ground.

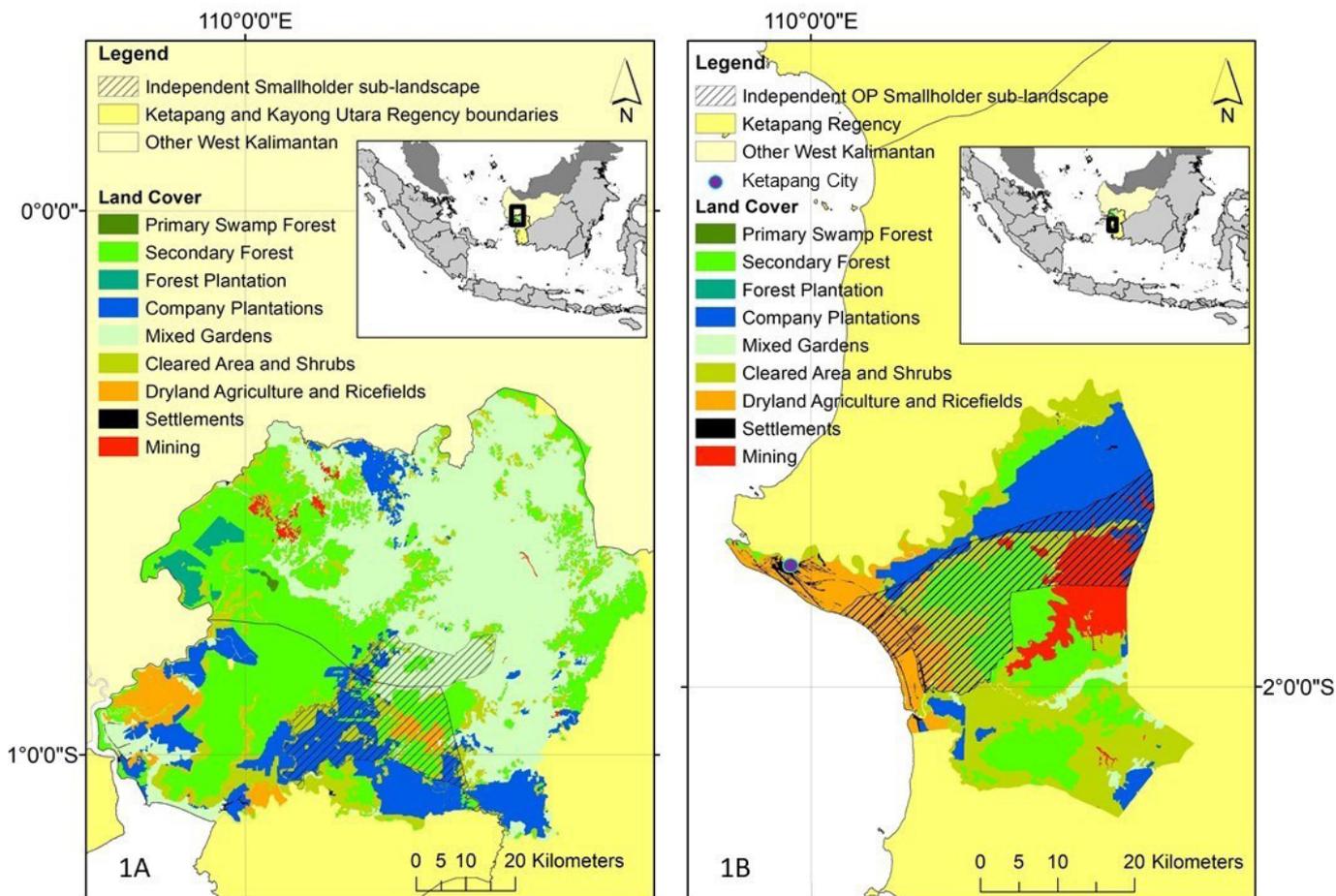


Figure 1: Simpang Dua (1A) and Pematang Gadung (1B) land use maps and independent smallholder oil palm project area (Original data from: Pribadi et al., 2020)

Table 1. Simpang Dua and Pematang Gadung sub-landscape characteristics

Sub-landscape	Simpang Dua	Pematang Gadung
Area (ha) _a	73,030	45,826
Population density (inhabitant per km ²) _b	7	17
Ethnic composition _c	Almost exclusively Dayak	Large Madurese, Malay, Dayak and Javanese populations
Major livelihood sources _c	Agriculture & agro-forestry	Agriculture
Relative proximity to urban centres	Far	Close to district capital
Estimated Indep. smallholder OP area in ha _c	100-200	1000-2000
Peat _a	Almost none	About 50% of the area has deep peat soils
Forest remaining in 2018 in ha (% of area) _d	21,752 (30%)	10,295 (22%)
Forest loss since 2000 in ha (% of area) _d	24,490 (33%)	8,491 (18%)
Oil palm by companies in ha (% of area) _d	22,957 (31%)	7,299 (16%)
Area burned in 2019 in ha (% of area) _d	218 (0%)	9,677 (21%)
Proclaimed interest in maintaining forests _c	High	Low
Presence of NGOs _c	Low	High
Presence of orangutans _c	No	Yes

Sources: a= Village shapefiles from BPS (2011) and Ministry of Agriculture peat maps; b= BPS Kayong Utara (2019) and BPS Ketapang (2019); c= Tropenbos Indonesia (2020); d=CIFOR (2019)

Results of preliminary survey

In order to obtain a better understanding of the conditions and characteristics of independent oil palm smallholders in the project areas TI performed a preliminary survey in 2019. Results show that in both landscapes implementation of GAP is limited, smallholder support is limited, sales are through middlemen and average plot sizes vary between two and six hectare in the different villages. The traditional communities, mostly Dayaks in the upstream areas in the Simpang Dua sub-landscape as well as native Malays in the Pematang Gadung sub-landscape, generally do not possess land certificates. Full land titles are more common in the Pematang Gadung, where transmigration programmes immediately provided settlers with complete land registration. Other legal requirements as the *Surat Tanda Daftar Budidaya* (STD-B), a compulsory letter from the plantation office stating what crops are being cultivated, were largely absent with farmers in both areas. Although there are plantings up to 10 years, most oil palms are less than five years old. Most farmers claim to have used certified seedlings but it remains unclear to what extent these were truly certified seedlings and not mere copies of certificates. The number of farmers who currently indicate they want to expand their oil palm planting is limited due to the low prices they received for their produce (Tropenbos Indonesia, 2020). Most conditions mentioned above apply to both areas and appear common among independent oil palm smallholders. However, whereas some interventions will be relevant in both sub-landscapes, other interventions are tailored to sub-landscape specific conditions.

Interventions

In order to improve the sustainability and inclusiveness of the independent smallholder oil palm sector in the Simpang Dua and Pematang Gadung landscapes TI engages in the following activities:

- **Mapping exercises**

Clear maps that capture business permits and exact delimitations of lands within and outside the forestry domain are still largely absent with village authorities. These need to be developed to serve as a basis for discussions on land use and land use planning. Maps will be developed based on satellite imagery and participatory mapping exercises. These maps will capture land classifications and provide up to date knowledge on numbers of independent oil palm smallholders and the area they occupy. Mapping exercises will include women and youth representatives, and promote inclusivity. This activity is highly relevant in both sub-landscapes.

- **Limiting GHG emissions and deforestation**

- In the Pematang Gadung landscape there will be an extended effort to minimize further peatland conversion to oil palm. Tropenbos Indonesia in collaboration with Wetland International assessed carbon stocks in the Pematang Gadung peat swamp forests and estimated that if properly conserved, emissions totalling 13.6 million tCO₂-e can be avoided from 2019 to 2041 (Tropenbos Indonesia, 2019). TI will attempt to link local authorities with the Result Based Payment REDD+ fund. The objective is to direct Carbon payments to local communities and thereby improve incentive to maintain carbon stocks. Whereas

TI already engages with local and national authorities, it will also engage with community-based carbon certification organisations as Plan-Vivo, which has extensive experience in linking ecosystems with corporate finance and environmental conservation.

- On the mineral soils in the Simpang Dua sub-landscape there will be more emphasis on maintaining existing forests and providing assistance in registering an estimated 10,000 ha as protection forest (*Hutan Lindung*). There will be efforts to incentivise locals to protect their forest through RSPO's HCV loss compensation scheme through collaboration with environmental service providers as Lestari Capital. This effort is to ensure that future independent oil palm smallholder expansion will not be developed at the expense of remaining intact natural forest and have limited impacts on biodiverse tembawang agroforestry systems that are still common in the Simpang Dua sub-landscape.

• **Improve performance of independent oil palm smallholders**

- A first step entails engaging with the legal issues that may hamper smallholder support from the government, NGOs or the private sector, as these stakeholders may find it beyond their mandate to assist 'illegal' farmers. TI has already assisted smallholders in obtaining STD-Bs in the Pematang Gadung sub-landscape. It is clear that local governments often do not allocate funds to properly register and support their farmers. TI will lobby local authorities and other stakeholders to increase funds that facilitate farmers and local authorities in achieving legal obligations.
- Support implementation of GAP among independent smallholders. These include but are not limited to improving access to high quality planting material, knowledge on appropriate fertilizers, improving access to agricultural inputs, finance and other necessities to improve practices in the field. SNV Netherlands Development Organization has developed relevant methodologies for improving independent smallholder oil palm performance and TI will partner with SNV to implement these in its project area.
- There are several fundamental issues that need to be resolved before trainings on GAP become relevant. Clearly infrastructure must be in good condition, market access should not be constrained and finance for implementing GAP should be present. TI will lobby with relevant authorities, private sector actors and NGO's to improve preconditions for implementation of GAP.

• **Support collective action and capitalizing on advantages of scale**

Creating farmer groups, capitalizing on collective action and associated advantages of scale is an integral part of many leading sustainability initiatives as RSPO, ISPO and the NAP. There are multiple paths towards collective action and associated inclusive and sustainable practices such as through farmer groups or cooperatives, or Village companies/Badan Usaha Milik Desa (BUMDes).

- Farmer groups or cooperatives; farmer organizations can improve their bargaining position and establish direct links with mills. This may reduce the length of supply chains and lead to better prices for farmers. Also agricultural inputs can be purchased on a larger scale and checking quality of these inputs, prices and lobbying for technical support is easier in collectives. However, maintaining collectives is not easy. For details on successful collective action among oil palm smallholders but also threats to collective action see Jelsma (2019).
- Village Companies/BUMDes; TI encountered well-functioning village companies that manage oil palm cultivation and sales (see Box 1 and Purwanto and Tjawikrama, 2019). As with farmer organizations, supporting village companies may improve benefits of scale and improve currently untransparent and inefficient independent oil palm smallholder supply chains. Profits with village companies will be invested in the village again. TI already performed trainings to improve the performance of existing BUMDes and intends to further expand these activities. In the Simpang Dua sub-landscape TI also intends to facilitate the development of a BUMDes that engages in collecting Empty Fruit Bunches (EFB) from a local mill which currently has difficulties in disposing of their EFB. Thereby the BUMDes can reduce imports of chemical fertilizers, provide organic fertilizers and thereby reduce common outflow of nutrients from smallholder plantations and contribute to a circular economy.

• **Facilitate business based decision making with smallholders and supporting alternatives**

Monoculture oil palm cultivation might not be the best option for farmers. Certainly in the peatlands where oil palm cultivation requires even more skills and resources, smallholder yields are often very low and there may be better alternatives. Already TI has stimulated independent oil palm smallholders to develop oil-palm based mixed-cropping with pineapple and dragon fruits in Pematang Gadung. TI will perform economic modelling with farmers on the benefits of different land uses and further support

development of organic fertilizers, animal husbandry, fresh fish production and link women groups to markets.

Challenges

The lack of coordination at horizontal as well as vertical levels between stakeholders in Indonesia working on oil palm sustainability has been well documented (Pacheco et al., 2018). Clearly coordination between stakeholders is fundamental in our programme as well. Whereas many relevant stakeholder have been identified, aligning these will remain challenging.

Both sub-landscapes experience a considerable influx of investors who may challenge conservation efforts. Also there appears only a limited interest with local populations in conserving the peat forests in the Pematang Gadung area, where peat fires were rife in 2019. Furthermore government programs settling trans-migrants in peatlands as recent as 2012 and the digging of canals to lower water levels does not demonstrate any urgency regarding the conservation of carbon stocks in the peatlands. However, when there is clear land ownership and land is properly cultivated, fire incidents are likely to reduce. A great challenge will be linking national and international carbon payment schemes to villages and communities in the project areas and thereby provide them with proper livelihoods and an interest to maintain forests and carbon stocks. If this can be achieved, sustainable and inclusive development does seem possible.

However, land governance in Indonesia is contested and under the pretext of protecting Indonesia's natural resources and the oil palm sector's interests, the Coordinating Minister for Political, Legal, and Security Affairs recently halted sharing corporate concession and land use rights data. Thereby it actively limiting the transparency that is increasingly demanded in modern global value chains (CNN Indonesia, 2019). It is clear there are many competing interests in and that what may seem a sustainable path may have undesired consequences. Increasing transparency for example may also exclude independent smallholders who under current conditions just cannot fulfil expensive sustainability requirements. Working towards more inclusive and sustainable development obviously can lead to adverse impacts if not managed properly. Therefore constant reporting and monitoring of effects is required that inform constant negotiations between stakeholders. These negotiations and should lead to adjustments that capitalize on desirable developments and avoid or counter undesirable outcomes; being local development, avoiding deforestation and maintaining carbon stocks.

Conclusions

TI's mission is to make knowledge work for forests and people. Working towards a sustainable and inclusive independent oil palm sector in two different landscapes in Ketapang regency, West Kalimantan, provides interesting opportunities to do so. A range of activities have been identified to improve conditions for independent oil palm smallholders, land use management and protecting natural resources. These activities include conducting proper mapping exercises that can serve as a basis for participatory land use planning and discussions between locals and third parties. Also economic simulation models will be conducted with local farmers and those interested in becoming oil palm farmers. The programme furthermore focusses on improving the availability of knowledge on GAP, working towards collective action through either village companies or farmer organization and thereby improving supply chains for independent farmers. These activities support many current government policies, ranging from facilitating the implementation of ISPO and the NAP to the Social Forestry programme, reduction of carbon emissions, the One Map Initiative and the Agrarian Reform policy, which should provide farmers with proper land titles. The range of activities is ambitious but many components are interrelated. A large challenge for TI will be aligning the wide range of stakeholders impacting these landscapes. Eventually money talks and a real challenge lies in making linking the internationally and nationally available funds with local smallholders and other populations, providing those who actually live in or next to precious environments with incentive and opportunity to develop, whilst also protecting their habitat.

Box 1: Village companies/BUMDes

A BUMDes is "...a business established through a village general assembly, managed by professionals and independent of village officials though most of the capital is village owned. BUMDes is a social business to manage villages assets, enhance economic development, community welfare and leverage additional village revenues. As such, its activities are not allowed to harm existing community businesses, but to strengthen capacity and overcome barriers through facilitation, delivery of services, synergizing efforts and creating added value. BUMDes play a role of intermediary, supplier and distributor. With increasing annual village funds delivered by central government, since 2016, each village or village groups are stimulated to establish BUMDes to promote local products."

Source: Purwanto and Tjawikrama (2019; p.69)

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Oilpalm smallholder plantation in Ketapang District

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