

The Dynamics Of Oil Palm Plantations In East Kalimantan

ABSTRACT.

This research explores the ways that these expectations are playing out in the oil palm sector in East Kalimantan, Indonesia. This research uses a qualitative descriptive analysis method from primary data obtained through literature studies and focus group discussions. We find that oil palm plantation poses serious deforestation challenges to the concept of green growth, as 44% of land allocated for plantations is still forested. At the same time, there may be opportunities to avoid deforestation and pursue more sustainable oil palm development pathways, as 87% of concessions have yet to be planted, however it has yet to be seen whether the political will exists to pursue this shift in policy. The development of oil palm plantations is supported by several government regulations, although their implementation in the regions creates various obstacles.

Keywords: *plantation, forest, oil palm, government policies*

1. INTRODUCTION

East Kalimantan is characterized by a large area of intact tropical forest. However, because of the province's reliance on land-based development such as mining and oil palm cultivation, the forest is being lost at a rate of 500,000 hectares per year. In East Kalimantan, there are approximately 6,388,157 hectares of dryland located in the Non-Forestry Cultivation Area (KBNK). This area status according to the provincial General Plan of Regional Spatial Planning (RUTRW) is included in the area which can be converted into various activities outside the forestry function. In the framework of utilization and management of natural resources in the area, the development of oil palm plantations is carried out, this is one of East Kalimantan's breakthroughs to increase people's economic growth while preparing to anticipate regional dependence on natural resource be renewedces (SDA) which until now is still a mainstay and non-renewable.

The process of expansion is governed by a system of permits, handed out by the local government. Companies need to have three types of permits before they are legally allowed to start planting. The first is a location permit (Ijin lokasi), which is awarded by the District Head (Bupati) and provides a company with a set time frame to obtain the other necessary permits. A location permit can only be given for areas that have officially been allocated for plantation development in the district spatial plan. The second is an IUP (Plantation Business License), which is granted by the Bupati after a company has gone through all the required steps to set up a plantation. This includes conducting an environmental and social impact assessment, and reaching an agreement with the communities within the permit area about the location of plantations and the terms of involvement by community members. If all requirements are followed, the National Land Agency (BPN) will award an Cultivation Right (HGU) permit, which gives the holder the right to produce palm oil for 35 years, extendable for another 25 years

While it is recognized that conversion of natural forests is not always a bad thing, there are many success stories of forest conversion into more productive and sustainable land uses. For example, the conversion of natural forests into paddy fields, cacao plantation, rubbers plantations and various forms of wana-tani, including oil palm plantations in Java, Sumatra and Kalimantan has proven that natural forest conversion is not necessarily less environmentally friendly.

Based on the description above, East Kalimantan has potential natural resources (SDA) and the availability of land that is widely spread to be cultivated either directly or through the production process. In the framework of the management and utilization of natural resources always aims to increase the creation of employment and business opportunities so as to

increase the income and welfare of the community. In the economic development of the region, one of the sectors that plays an important role besides the oil and gas sector is the agricultural sector, namely the oil palm plantation subsector.

2. MATERIAL DAN METHODS

To find answers to the problems formulated and the objectives to be achieved as mentioned above, two approaches were taken:

1. Literature Study. This study was conducted to obtain a comprehensive picture or portrait of the palm oil industry, especially related to government policies in the development and exploitation of oil palm plantations, the structure and performance of the oil palm plantation market and the main issues that arise around the exploitation of oil palm plantations.
2. The Field Study. The second step was to conduct a field study through interviews with various resource persons, as well as FGDs (Focus Group Discussions) with stakeholders in the region.

The data processing methods in the study are quantitative and qualitative methods, leatherative analysis with descriptive methods.

3. RESULT AND DISCUSSION

3.1. Result

According to Suharto (2010), the management of oil palm plantations in Indonesia is broadly grouped into three major patterns, namely 1). Smallholder/people's oil palm plantation pattern: is an oil palm plantation carried out by farmers/people; 2). State-owned oil palm plantation pattern: carried out by state-owned plantation companies/SOEs; 3). Private oil palm plantation pattern: carried out by privately owned companies. The development of oil palm in Indonesia continues to accelerate, in 2009 it was recorded to reach an area of 7,509,023 ha with a production of 20,900,000 tons of FFB, consisting of 3,013,977 ha (7,599,130 tons) of smallholder oil palm plantations, 608,580 ha (2,729,250 tons) of state plantations and 3,895,470 ha (10,571,620 tons) of private plantations.

Recorded development of oil palm plantations in the last five years, namely in 2005 an area of 201,087 ha with a production level of 1,012,788.50 tons of FFB and in 2009 had an area of 530,554.00 ha with a production level of 2. 298,185.50 tons of FFB consisting of 129,279.00 ha (546,111.00 tons), 15,937.00 ha (236,087.00 tons), and 385,338.00 ha (2,298,185.50 tons) of smallholder oil palm plantations. As of 2010 there were 22 palm oil mills with a mill capacity of 965.5 tons FFB/hour, and 8 palm oil mills under construction with a total capacity of 330 tons FFB/hour (Anonymous, 2010e).

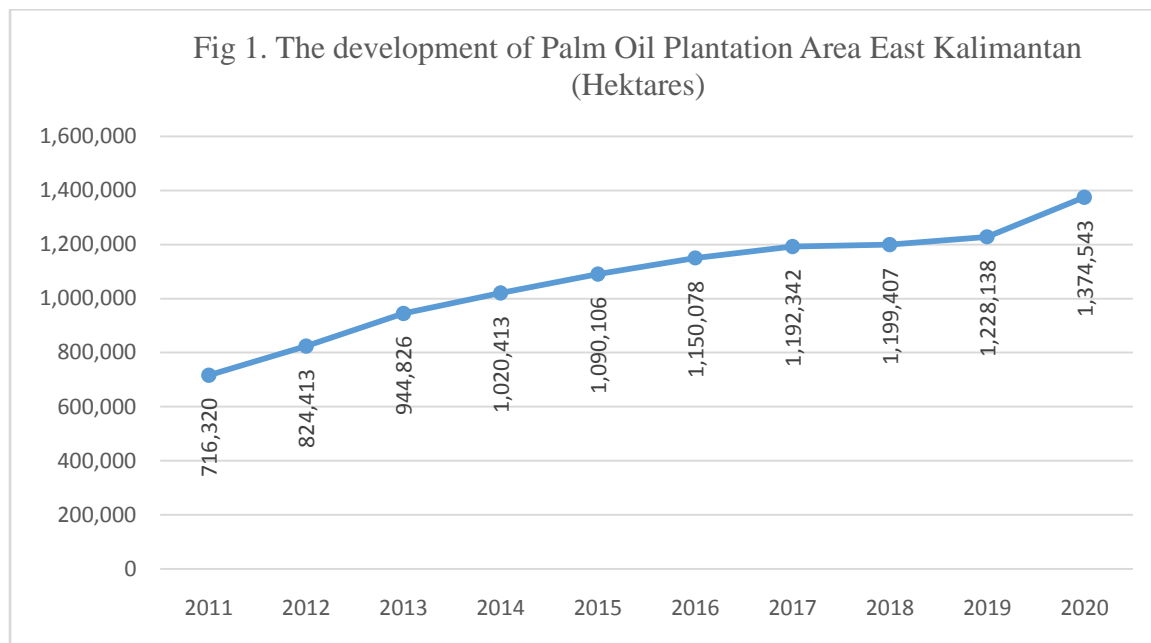
Land transfer will not occur when the law does not open the tap of land clearing permits easily. Palm oil plantation companies expand their oil palm in the Area of Business Rights (HGU), while oil palm farmers expand oil palm plantations on their land or small plantations (Amalia 2016).

After the launch of the million hectare oil palm development program in 2003, the development of oil palm plantations in East Kalimantan experienced a very rapid increase in almost all of East Kalimantan, namely Paser, East Kutai, West Kutai, Penajam Paser Utara, West Kutai, Berau, Bulungan and Malinau.

East Kalimantan is characterized by a large area of intact tropical forest. However, because of the province's reliance on land-based development such as mining and oil palm cultivation, the forest is being lost at a rate of 500,000 hectares per year (Disbun Kaltim, 2014a) and the province has become Indonesia's third largest GHG emitter (DDPI Kaltim 2011; Provinsi Kaltim, 2012). For these reasons East Kalimantan was selected as a focus area for efforts aimed at reducing GHG emissions (DDPI Kaltim, 2011) and the national Green Growth Program designated the province as one of its pilot sites in 2013 (Gol and GGGI, 2013).

In December 2013 the province had granted location permits to a total of 344 companies, covering 3.9 million hectares; IUP permits to 215 companies, covering 3.1 million hectares; and HGU concessions to 127 plantation companies, covering 1.1 million hectares (Disbun

Kaltim, personal communication, December 2013). The provincial government seeks to reach 2 million hectares of area under HGU concession by 2018 (Rahman, 2015); this implies an acceleration of plantation expansion over the next three years. Until 2020, the oil palm area reached 1,374,543 hectares consisting of 373,479 hectares as plasma crops/people's plantations, 14,402 hectares owned by State-Owned Enterprises (BUMN) as core companies and 986,662 hectares owned by Large Private Plantations (393 companies).



3.2. Discussion

3.2.1. Oil Palm Plantation and Economic Impact

As a system, oil palm plantations do not move on their own when raising their palm oil business in the local community. There is a local network that is also a support system to help the company's productivity. In the middle of the local community there is a local elite, the local elite that has an affiliation to the expansion of oil palm plantations is the one that has the human resources to control the land.

Local elites are individuals or groups of people who have power, economic capabilities, technology, social capabilities that are influential at the regional level and in the case of oil palm plantations, the local elite utilizes small oil palm plantations of less than 25 hectares to encourage the productivity of core gardens both in terms of land clearing and selling crops to the core gardens (Purnomo 2016).

One of the main problems with the expansion of oil palm plantations, however, is the conversion of tropical forests that serve to maintain the diversity of flora and fauna and the global climate into mono-culture oil palm plantations. oil palm poses serious deforestation challenges to the concept of green growth, as 44% of land allocated for plantations is still forested (Bullock et al. 2020). There is no significant mapping of social, political and economic risks to be able to produce alternative palm oil management schemes in the institutional context to field practices. At the same time, there may be opportunities to avoid deforestation and pursue more sustainable oil palm development pathways, as 87% of concessions have yet to be planted, however it has yet to be seen whether the political will exists to pursue this shift in policy. Pollution caused by smoke from land clearing by burning and waste disposal are plantation methods that poison living things and the global climate in the long term.

Perhaps the most important question is why oil palm plantations should be established through conversion. Oil palm plantations can be planted on marginal land and in non-forested areas, where they can grow well and contribute to economic development. When oil palm development leads to the conversion of tropical forests, the question arises -in our

opinion, which can be considered- whether conversion is necessary. In such cases, an in-depth and transparent assessment needs to be conducted (Gaveau et al. 2022).

Economic impacts of oil palm plantation expansion oil palm plantation expansion that is the change in farmers' income. Syahza (2011) argues that oil palm plantation development activities have had an impact on acceleration of community economic development in efforts to alleviate poverty in rural areas. Other research suggests that the economic impact of oil palm expansion can increase diverse investment opportunities and generate stable income (Unjan et al. 2013).

Through the Focus Group Discussion (FGD) activities, it was found that there are several problems and obstacles in the development of oil palm plantations, such as:

1. the increase in oil palm area is claimed to be partly derived from the conversion of natural forests and peatlands that affect global climate change:
2. The social problems that arise in oil palm development areas, as summarized by Teoh (2010) from various references, center on questions of land ownership and use and how rights are transferred. Teoh (2010) cites the Consortium for Agrarian Reform's record of 32 percent or 261 conflicts and Sawit Watch's record of 570 conflicts.
3. difficulties in obtaining capital because of inability to meet collateral linkage requirements for bank financing, unavailability of technical guidance and market information.
4. The Union of Oil Palm Farmers in East Kalimantan (SPKS) perceives that the FFB pricing mechanism is not transparent. While based on the Minister of Agriculture's Regulation, farmers have no opportunity to be involved in the price determination process.
5. the conversion process of natural forest and peatland contributes negatively to deforestation, degraded peatland, and loss of water resources and biodiversity.
6. local governments politicize licensing, which occurs due to individuals' and communities' lack of knowledge of their rights and the processes and procedures to be followed.

3.2.2. Palm Oil Plantation Supporting Policies

Through Government Regulation No. 26/2021, there is a minimum and maximum area limit for oil palm plantations. The minimum area for oil palm plantations is 6,000 hectares and the maximum is 100,000 hectares. In addition, companies are obliged to facilitate the development of community plantations covering 20% of the land.

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2. An IUP (Ijin Usaha Perkebunan) permit, which is granted by the Bupati after a company has gone through all the required steps to set up a plantation. This includes conducting an environmental and social impact assessment, and reaching an agreement with the communities within the permit area about the location of plantations and the terms of involvement by community members.
3. If all requirements are followed, the Land Agency (BPN) will award an HGU (Hak Guna Usaha) permit, which gives the holder the right to produce palm oil for 35 years, extendable for another 25 years.

Smallholder oil palm farmers (independent Palm Oil Farmers) will also be provided with facilities and infrastructure to receive funding subsidy support through the use of BPDP-KS (Palm Oil Plantation Fund Management Agency) funds. The assistance fund is regulated through the Decree of the Director General of Plantation of the Ministry of Agriculture No. 144/Kpts/OT.050/4/2020 concerning the funding of facilities and infrastructure for smallholders using BPDPKS subsidy funds. Policies to support independent smallholders, including through a massive community oil palm replanting program that aims to help independent smallholders, renew their oil palm plantations with more sustainable and quality oil palm and reduce the risk of illegal land clearing.

Based on the description of problems and obstacles obtained through the interview mechanism and Focus group discussion above, several alternative policies are proposed as follows:

- 1.Promotion, advocacy and public campaign of the palm oil industry
- 2.Product development (downstream and sideline) and value-added enhancement
- 3.Strengthening and law enforcement in sustainable palm oil development and license governance
- 4.Transparency of information on oil palm plantation development
- 5.Development of smallholder accessibility to resources
- 6.Control of natural forest and peatland conversion
- 7.Encouragement of the application of RSPO principles and criteria
- 8.Development of conflict resolution mechanisms through partnership cooperation between plantation companies and coconut processing industries with surrounding communities/farmers to develop smallholder plantations.

4. CONCLUSION

Palm oil governance in Indonesia still has a trail of problems. The government has done many things related to the development of the palm oil industry. These include the implementation of environmental and plantation standardization, stimulating palm oil downstream investment, farmer assistance, providing funds for plantation replanting programs, ease of investment, and international trade diplomacy. East Kalimantan oil palm cultivation market structure is oligopolistic, dominated by Large Private Companies, which control 52.73% of the total area of production factors (land) cultivated for oil palm plantations. The development of oil palm plantations is carried out, this is one of East Kalimantan's breakthroughs to increase people's economic growth. The government has done many things related to the development of the palm oil industry.

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