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“Bridging the gap between increasing knowledge and decreasing resources”

Sustainability Criteria of Smallholders’ Oil Palm Farming in Indonesia: A Stakeholder View

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Abstract

Indonesia has become a major supplier of palm oil in the world market which is reflected in the significant expansion in the country’s area planted to oil palm. This expansion has largely been at the expense of forest and peat lands mainly in Sumatra. In response to actual and potential environmental and social problems the Government of Indonesia (GoI) has been promoting the concept of sustainable oil palm production (ISPO). ISPO is a combination of regulatory measures and voluntary standards.

In this paper we analyse the views of different stakeholder along the oil palm value chain in the oil palm industry including those small holders in the province of Jambi, Sumatra. Our source of data is Focus Group Discussions in four villages and a stakeholder survey that included large scale oil palm producers, government agencies, farmers association, researchers and NGOs. The objectives of the study are twofold: (1) to compare stakeholders views on the ISPO criteria and (2) to explore perceptions of oil palm farmers to implement ISPO criteria in the reality of small holder oil palm production.

In the analysis keywords from Focus Group Discussions were analysed using qualitative methods and non-parametric statistical tests are used to compare stakeholder views on ISPO criteria. Results show that some sustainability criteria such as not planting peat land had not been followed from the start as 70% of oil palm production in the four villages takes place on peat land.

Results show that while stakeholders tend to agree on the principles large differences exist in views regarding the practicality and economics of implementation of standards. Focus Group Discussions revealed that ISPO criteria do not only have benefits but also have costs which in many cases are beyond household’s financial capacity. The policy recommendation emerging from these findings is that governments on the one hand should more strictly enforce standards and on the other hand should provide more effective guidance on contractual arrangements between small holders and oil palm companies.

Keywords: Indonesia, oil palm industry, smallholders, sustainability criteria