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## Socio-Economic and Environmental Conditions of Smallholder Oil Palm Farmers in the Province of Jambi, Indonesia

ERNAH ERNAH, EKO RUDDY CAHYADI, HERMANN WAIBEL

*Leibniz Universität Hannover, Inst. of Development and Agricultural Economics, Germany*

### Abstract

Indonesia is the world largest producer of palm oil (FAOSTAT 2013). With the rise in global demand for palm oil the area planted to oil palms in Indonesia has grown from just about a quarter of million ha in 1980 to almost 8 million ha in 2010. This contributed to economic growth and poverty reduction. This expansion has also been associated with deforestation which has raised concern over its impact on forest dependent communities.

This paper analyses socio-economic and environmental conditions of smallholder oil palm farmers in Indonesia. The empirical basis is a household panel survey of some 291 households which was conducted in four villages of two districts in Jambi province, Sumatra during 2010 and 2012. Households were randomly selected from the list of oil palm smallholders provided by the respective village heads. The survey instrument included modules on household characteristics, income generating activities, especially on oil palm production but also other crops and livestock, natural resource extraction, off farm employment and non-farm self-employment. In addition, an environment module has been added during the 2012 survey. Here the observations and perceptions on changes in environment and natural resources in the oil palm plantation and in the village environment were asked from the small holder respondents.

In our analysis we compare the well-being of oil palm small holder farmers in different locations using indicators like consumption, household income, asset endowment, *ex post* and *ex ante* poverty, *i.e.* vulnerability to poverty and inequality. We then proceed to establish a link between perceived environmental changes and the changes in well-being using non parametric testing procedures. Results reveal that significant differences in well-being exist and that environmental changes may play an important role in explaining these changes.

**Keywords:** Environmental, Indonesia, oil palm, smallholder