

## A REFLECTION AND HOPE FOR THE 109th OF NATIONAL PALM OIL DAY

By  
Research Team PASPI

### RESUME

*History records that the initial milestone of oil palm plantations in Indonesia occurred when the first commercialization of oil palm plantations in Pulo Raja (Asahan) and Sungai Liput (Aceh) was developed on 18 November 1911. Therefore, this date is celebrated as National Palm Oil Day. At the age of 109th, oil palm plantations and palm oil industry showing more their contribution to the Indonesian economy. Even the existence of industry is more real in the the Covid-19 Pandemic and the economic recession by becoming a major contributor to Indonesia's economic growth. Other achievements of the palm oil industry have been achieved through palm oil-based downstreaming which is increasingly developing by producing various product innovations in the fields of food, health, oleochemicals to energy.*

*Behind the achievements have been made by the national palm oil industry, there are still problems or obstacles that faced by industrie. And if this problems left without a solving solution, it will threaten the existence of the national palm oil industry both in the domestic market and the global market in the future.*

*The main problem faced by oil palm industry players, both companies and oil palm farmers is land legality. For smallholder farmers, where most of their plantations are labeled as illegal because they enter forest areas, and this has negative implications because it preventing farmers to participating in development programs that have the opportunity to make farmers "upgrade" and have an equal position with plantation companies, namely increasing productivity by replanting (PSR) and Indonesian Sustainable Palm Oil (ISPO). Another problem faced by the palm oil industry is the massive of black campaigns and trade policies that discriminate against palm oil-based products implemented by importing countries.*

## INTRODUCTION

In the *De Oliepalm Publication* written by Hunger in 1917 and 1924, it was written that on November 18, 1911 there was the commercialization of oil palm plantations in Indonesia for the first time. Therefore, palm oil stakeholders including the Indonesian Palm Oil Council (Dewan Minyak Sawit Indonesia/DMSI) and Indonesian Oil Palm Research Institute (Pusat Penelitian Kelapa Sawit/PPKS) have agreed that date is celebrated as National Palm Oil Day.

At the age of 109<sup>th</sup>, Indonesian oil palm plantations are increasingly showing their contribution to the Indonesian economy, including increasing income, reducing poverty, and increasing employment absorption. The existence of the national palm oil industry is more real amid the Covid-19 Pandemic and the economic recession that is being felt by Indonesia. This can be seen from the palm oil industry which contributed greatly to Indonesia's economic growth in the pandemic. Compared in the previous year, the contribution of the palm oil industry was lower than the tourism and service sectors.

Foreign exchange generated from exports of palm oil products until the third quarter of 2020 reached USD 15.5 billion and succeeded in creating a net trade surplus in the non-oil and gas sector of USD 18.18 billion (PASPI, 2020<sup>f</sup>). Not only contributing to the creation of a net trade surplus in the non-oil and gas sector, other palm oil products namely biodiesel with its mandatory B30 policy, also contributed to saving foreign exchange in the oil and gas sector, so it can reduce the oil and gas sector net trade deficit to USD 4.66 billion. Thus, these contributions of palm oil was able to create a total trade balance surplus of USD 13.51 billion, which is equivalent to IDR 198 trillion or more than three times the Covid Pandemic handling funds from the State Budget which is only around IDR 75 trillion.

In the pandemic like nowadays, the palm oil industry, both in the upstream (plantation and milling) to downstream (industry) sector, has quite high resilience and immunity capabilities compared to other industries/sectors (PASPI, 2020<sup>a</sup>). This is shown, for example in plantations there is

no layoffs of workers, workers salaries/wages are also paid normally, and plantation operations are running normally while still implementing health protocols. Even the palm oil industry remains an economic locomotive capable of “push and pull” other sectors/industries to keep producing, so as to saving the local economy in the midst of economic uncertainty due to recession and pandemic.

Another achievement that has been made by the national palm oil industry is the downstreaming of palm oil-based products that are increasingly developing to produce oleofood (food), oleochemicals, and biofuels (energy) products. Even the Covid-19 Pandemic has also become a momentum for palm oil and downstream industry researchers to innovate to produce palm oil-based products that can be a solution to this pandemic, such as hand sanitizer products, bio-disinfectants, to health/pharmaceutical products from palm oil phytonutrient extraction (PASPI, 2020<sup>d</sup>).

In the energy/biofuel sector, the contribution of the palm oil industry in order to achieve national energy security while contributing to reducing carbon emissions is more visible, it is shown by biodiesel products with mandatory policies and the development of bio-hydrocarbon products, namely green diesel, green gasoline and green avtur (PASPI, 2020<sup>c</sup>). Beside being an instrument in order to achieve national energy security, the development of bio-hydrocarbon product is also part of strengthening smallholder farmers to improve welfare and achieve equality. This is because the palm oil from farmer's plantations (Industrial Vegetable Oils) is managed by smallholder's corporation becomes the raw material for the production of biohydrocarbons (PASPI, 2020<sup>b</sup>).

Although the contribution of the national palm oil industry is not in doubt, there are still several obstacles/problems faced in industrial development, and if this is allowed, it will threaten the existence of the national palm oil industry both in the domestic market and the global market. Do not let the fate of Indonesian palm oil be the same as other commodities such as spices, tea, sugar, where Indonesia was the number one producer and exporter of these products

in the global market, but then "drowned" because it was unable to maintain its sustainability and competitiveness in the global market.

This paper aims to highlight some of the main problems/obstacles faced by actors in the national palm oil industry so that can be prioritized to be resolved immediately in order to realize a national palm oil industry that is superior, sustainable, and competitive. Thus, the national palm oil industry no longer dances to the rhythm of the drums beating by other countries but can create its own drum rhythm that is followed by other countries.

### **THE ISSUE OF LAND LEGALITY IS AN OBSTACLE TO THE DEVELOPMENT OF A SUSTAINABLE AND COMPETITIVE NATIONAL PALM OIL INDUSTRY**

Hunger's publication (1924) records the beginning of the commercialization of oil palm plantations by Belgian entrepreneurs developing oil palm plantations in the East Sumatra region which includes Pulo Raja (Asahan) and Sungai Liput (Aceh) as well as German investors who opened oil palm plantations in Tanah Itam Ulu in 1911.

The development of oil palm plantations is also quite revolutionary as indicated by the significant increase in the area of plantations from around 300 thousand hectares in 1980 to 16.3 million hectares in 2019 (according to the results of the reconciliation of oil palm plantation land cover data which was later ratified by the Minister of Agriculture Decree No. 833/KPTS/SR.020/M/12/2019).

Behind the successful story of developing oil palm plantations in Indonesia that have established itself as the largest producer of palm oil and vegetable oil in the world, plantation actors are facing land legality problems. The data of reconciliation of land cover shows that an area of 3.4 million hectares of oil palm plantations is included in the forest (Machmud, 2020).

This land legality problem is not only faced by plantation companies, most of the smallholders who are independent smallholders also face that problem. Many cases of farmer's plantations are the second

generation plantation or have been more than 25 years old, but due to changes in spatial regulations related to forest areas, oil palm plantations that were previously not included as forest areas were later entered into forest areas. The same thing was explained by Gunarso (2020) using a case study of Central Kalimantan, where there was a change in spatial policy in Central Kalimantan which caused the proportion of forest areas and other use areas continue to change, for example, based on Regional Regulation No. 8/2003 with the proportion of forests (62.9 percent) and other use areas (37.09 percent) and then changes based on the Evaluation of Regional Regulation No. 5/2015 with the proportion of forest (82.82 percent) and other use areas (17.18 percent).

The Indonesian government actually has various alternative settlement patterns as stipulated in Presidential Regulation No. 88 of 2017 concerning the Settlement of Land Tenure in Forest Areas, specifically by removing land in forest areas through the exchange of forest areas, providing management access through social forestry or conducting resettlement. However, the solution pattern of removing forest area by exchange can only be carried out by companies that have large capital resources and cannot be accessed by smallholders because of the large financial and political costs. Meanwhile, oil palm is also not include as social forestry plant so that the pattern of resolving the legality of oil palm plantations that enter forest areas cannot be resolved by this program. Without solving the problem of oil palm plantations entering this forest area, farmer's oil palm plantations are always considered illegal.

The implications of that problem faced by farmers are they can't participate in government programs in the development of the palm oil industry, namely increasing productivity through the Replanting program (PSR) and sustainability certification through Indonesian Sustainable Palm Oil (ISPO), because land legality is one of the requirement of both of programme . In fact, these two programs are a revolution for farmers and their plantation to "upgrade" and have an equal position with plantation companies.

Many government policies, especially related to spatial planning and land legality, are changing, overlapping, and interlocking, so that problems related to land legality and plantation business cannot be resolved. To solve these administrative problems, the first step that must be considered is the coordination and synergy of the government in formulating and implementing policies related to legality from the national to the regional levels. The government, through Presidential Instruction No. 6/2019, has formed a working team for the National Action Plan for Sustainable Palm Oil (RAN KSB) which was initiated by the coordination of the Coordinating Ministry for the Economy which consists of technical ministries including the Ministry of Agrarian Affairs and Spatial Planning/National Land Agency, the Ministry of Agriculture, and the Ministry of Environment and Forestry (KLHK). The working team has task to resolving land legality issues and disputes over oil palm plantations.

It is hoped that the government policy resulting from the team can immediately become a bright spot and a solution to the land legality problems that are faced by plantation business actors, especially smallholder farmers. The government, through this working team, is also required to formulate a "one-window" administrative governance policy for the legality of palm oil plantation permits so that it can be implemented for the development of this industry in the future. With the resolution of the legality problem of oil palm plantations that enter forest areas, smallholders can access and succeed in the realization of the PSR and ISPO targets so that can will achiev the vision of a national palm oil industry more competitive and sustainable.

### **BLACK CAMPAIGN AND DISCRIMINTAED POLICIES HINDERING PALM OIL IN GLOBAL MARKET**

As the most efficient vegetable oil, due to its high productivity so that the price is relatively competitive making palm oil as major producer and being able to dominating the global vegetable oil market.

This triggers competition, even the competition between vegetable oils has led to a non-competitive price with the spread of a negative campaign aimed to hindering palm oil and it's derivative products trade in the global market.

This negative campaign is not a new thing for palm oil industry. The negative anti-palm oil campaign voiced by transnational and national NGOs has been appeared around since the early 1980s and has intensified in the last decade. Negative campaign themes also vary, ranging from environmental, social and health issues. The black campaign that attacked the national palm oil industry this year is also growing. On health issues, WHO issued flyers and articles containing advice not to consume palm oil during the Covid-19 pandemic because they considered that it's contains unsaturated fats. Anti-palm oil NGOs also attacks oil palm plantations by using social issues about exploitation of child labor. And recently the mass media has returned to spreading issues that have damaged the image of palm oil industry such as burning land and forests in Papua and sexual harassment in oil palm plantations. Even though the black campaign issues are not in accordance with the facts and have not been proven to be true, but because they have been widely publicized, the issue is considered true so that this has seriously damaged the image of the palm oil industry and created a wrong perception of palm oil in the eyes of global consumers.

Apart from negative campaigns, various trade policies that are considered to be discriminating against palm oil are also widely implemented by importing countries. One of them is the policy of the European Union, namely RED II ILUC and Delegated Regulated of ILUC-RED II (PASPI, 2019). In this policy, the EU stipulates that the use of first biofuel generation (raw material for biodiesel which can also be used as food/feed) is classified as a high indirect land-use change risk which will be drastically reduced since 2020 and must be eliminated (zero percent) by 2030. This policy classifies palm oil as a feedstock (raw material for biofuel) which is high-risk Indirect Land Use Change (ILUC) so that palm oil must be phase out in the use of

European biodiesel. This means that the European Commission considers that the negative impact arising from the indirect conversion of forest land into land for biodiesel feedstock is considered a “sin” for oil palm plants and their producers must be responsible for this.

Black campaigns and trade policies that discriminate against the national palm oil industry can be likened to a never-ending war, because anti-palm oil parties will use various issues to damage the image and inhibiting oil palm in the global market. Therefore, in solving this problem, a diplomacy and negotiation strategy is needed at the bilateral, multilateral, and regional levels. Apart from conducting diplomacy, another important thing to do to improve the image of the palm oil industry is to carry out a positive palm oil campaign. The campaign must be followed by all Indonesian people, not only the government and oil palm industry players but NGOs, researchers, mass media players, students, lecturers/teachers, and the general public struggling to fight together and be united in "one language" in doing a positive campaign for palm oil and defending the interests of oil palm from interference by anti-palm oil parties, given the large contribution of the palm oil industry to the economy and welfare of the Indonesian nation.

One of the languages or narratives use in the positive campaign is the contribution of the palm oil industry as part of the achievement of the Sustainable Development Goals/SDGs (PASPI, 2020<sup>e</sup>). By linking the palm oil industry with the 17 SDGs goals as a globally recognized development platform, it is hoped that it will be able to open the world's community to the positive benefits of the oil palm industry at the local, national and global levels so it can increase its acceptance in the global market.

However, to counter campaigns and policies that discriminate against oil palm, it is not enough to rely only on diplomacy and promotion, efforts to improve themselves must also be made by national oil palm stakeholders, both industry players and the Indonesian government. These efforts to improve themselves are intended to improve the conditions and governance of the national palm oil industry by addressing

issues used by anti-palm oil parties. Such as implementation of the oil palm plantation moratorium (Inpres No. 8/2018), the Replanting (PSR) program and ISPO sustainability certification are answers to negative palm oil campaigns that use environmental and social issues or scientific studies and studies as the basis for empirical evidence on issues that stated of palm oil is harmful to health.

## CONCLUSION

Behind the achievements have been made by the national palm oil industry, there are still problems or obstacles that faced by industrie. And if this problems left without a solving solution, it will threaten the existence of the national palm oil industry both in the domestic market and the global market in the future.

The main problem faced by oil palm industry players, both companies and oil palm farmers is land legality. For smallholder farmers, where most of their plantations are labeled as illegal because they enter forest areas, and this has negative implications because it preventing farmers to participating in development programs that have the opportunity to make farmers "upgrade" and have an equal position with plantation companies, namely increasing productivity by replanting (PSR) and Indonesian Sustainable Palm Oil (ISPO). Therefore, we need to encourage the government with a cross-ministerial Coordination Team that has been formed to resolve overlapping land legality issues and immediately formulate a “one-window” administrative governance policy for legality licensing of oil palm plantations.

Another problem faced by the palm oil industry is the massive of black campaigns and trade policies that discriminate against palm oil-based products implemented by importing countries. Therefore, a diplomacy and negotiation strategy is needed, as well as carrying out a positive oil palm campaign involving all Indonesian community. Besides that, national palm oil stakeholders, both industry players and the Indonesian government, are also making efforts to improve themselves by implementing good

governance policy instruments of palm oil industry by addressing issues used by anti-palm oil parties.

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