POLICY AND MULTI-BENEFIT OF OIL PALM REPLANTING

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RESUME

As a vegetable oil that is used by the entire global community, the demand for palm oil is very large and is expected to continue to increase in the future. On the other hand, extensification to increase the production of palm oil faces the limitations of suitable land, both to maintain a balance of land needs between sectors and to prevent deforestation. Therefore, increasing productivity is the best option to increase palm oil production through replanting.

Replanting is a way to increase productivity sustainably and is a gateway for better technology and management, so that oil palm plantations can reach a higher quality. Basically, replanting is part of a company's routine activities for plantations. However, in its implementation in smallholder plantations, it often encounters obstacles due to their limitations. Therefore, the Government of Indonesia issued the Peremajaan Sawit Rakyat (PSR) program to support the implementation of replanting in smallholder oil palm plantations. The two policies related to the PSR program are the Institutional Policy and Governance and the Financing Policy with the source of financing from palm oil levy funds.

The increase in palm oil productivity as a result of the replanting will make an additional production of palm oil of around 52 million tons without area expansion by 2050. In addition, it will also produce multiple benefits, both economic benefits, social benefits, and ecological benefits that can be enjoyed by smallholders, regional, national, and global.

However, the realization of replanting is still low. Because there are still many obstacles faced by smallholders, including land legality and bureaucratic of process. These problems must be resolved more seriously and in the near future so that the acceleration of the PSR program can be achieved.
INTRODUCTION

Palm oil is one of the vegetable oils that is needed by the global community both for food products, oleochemical products, and biofuel. Around 42 percent of the global vegetable oil needs in 2020 will be supplied from palm oil and around 60 percent will be supplied from Indonesian plantations (PASPI Monitor, 2021).

Global demand for palm oil is also expected to continue to grow. Various drivers of increasing consumption of palm oil include population growth, increased income, urbanization (an increase in the number of urban residents), and the increasingly widespread use (application) of palm oil. The use of palm oil for biofuel as part of climate change mitigation is also a new driver of increasing demand for palm oil in the future. The new normal lifestyle in the era of the Covid-19 pandemic which is this habit will also continue to be carried out by global community so that it has implications for increasing demand for hygiene products (hand sanitizer, hand wash, soap, detergent) and also causes demand for palm oil to continue increase.

The increasing demand for palm oil requires an increase in palm oil production. The problem is that increasing palm oil production by area expansion (extensification) has been very limited due to the limitations of suitable land, both to maintain a balance of land needs between sectors, and to prevent deforestation. In Indonesia, through Presidential Instruction No. 8/2018, the government has even imposed a moratorium policy on oil palm plantation expansion since 2018.

One of the solutions to increasing the sustainable production of palm oil to meet future demand is through regular replanting. Replanting is a more sustainable way of increasing productivity (Sipayung, 2018; Bronkhorst et al., 2017; Varkkey et al., 2018). Regular replanting is not just a matter of replacing old plants with new ones, but it is a gateway to better technology and management (Sipayung, 2018) and increases the social, economic, and ecological benefits of oil palm plantations. Therefore, this article will discuss the various economic, social, and ecological benefits resulting from oil palm replanting.

POLICY AND TARGET OF REPLANTING

According to data from the Ministry of Agriculture (2021), the area of Indonesia’s oil palm plantations in 2020 will be 15.5 million hectares, consisting of private plantations of about 8.6 million hectares, state plantations of about 0.64 million hectares, and smallholder plantations of about 6.8 million hectares.

In general, referring to Good Agriculture Practices (GAP) to maintain the ideal composition between plant ages, about 4 percent of the total area needs to be replanted. With this oil palm plantation area, the area that must be replanted annually is around 614.8 thousand hectares, consisting of about 338.4 thousand hectares of private plantations, 250.8 thousand hectares of smallholder plantations, and 25.6 thousand hectares of state-owned plantations.

However, in practice, the plantation companies's decision to replant is influenced by physical and economic factors (Omar et al., 2001). The physical factors include plant conditions and populations that are no longer possible to be maintained. Meanwhile, economic factors are related to the consideration of whether replanting is more profitable or not and the availability of financing sources.

In contrast to state and private plantation companies whose replanting activities have become part of corporate internal activities, replanting in smallholder plantations require government policy support. Due to various factors influence the decision of smallholders in replanting. Socio-economic variables that influence the decision to replanting oil palm plantations such as plantation area owned, income level, source of income, and land legality (Septianita, 2009; Safitri and Rosyani, 2014; Anggraeny et al., 2016).

To support the implementation of replanting in smallholder oil palm plantations, the Government of Indonesia issued a Peremajaan Sawit Rakyat (PSR) program in Indonesia. The implementation of this program is regulated through the
Institutional and Governance Policy as contained in the Ministry of Agriculture Regulation No. 18/2016 and the Ministry of Agriculture Regulation No. 15/2020 along with its implementing regulations, as well as the Financing Policy stipulated through the Ministry of Finance Regulation No. 84/2017 and its implementing regulations.

Institutional Policies and Governance in the PSR program include replanting technology (such as recommendations for certified superior varieties, land clearing, technical culture, etc.), procedures, indicators, institutional arrangement of smallholders, partnership support between smallholders with certified seed sources, banking agriculture services and marketing services. The policy on institutional arrangement and governance is very appropriate because institutional support greatly influences the success of replanting. This is also confirmed by studies (Zen et al., 2008; Andriati, 2011; Jelsms et al., 2017), which reveal that the success of smallholders in replanting requires institutional strengthening support related to the replanting process and overall management of oil palm plantations.

Meanwhile, related to the Financing Policy provided in the PSR, the government has also allocated palm oil funds as support for the PSR financing fund of IDR 30 million per hectare, which has increased compared to the previous of IDR 25 million per hectare. In addition, government support related to the implementation of PSR is also through the development of financing linkages and management with banks, for example there is a KUR specialized scheme that can be accessed by smallholders who implement PSR.

The PSR’s financing support is very much needed, considering that most smallholders do not have sufficient savings to finance their own replanting. The study of Maryah et al. (2018) revealed that only 46 percent of them had savings, while the others (54 percent of them) didn’t and only about 10.8 percent of them were able to finance their own replanting. So, the availability of replanting financing greatly affects the willingness of smallholders and the success of replanting (Andriati and Wigena, 2011; Safitri and Rosyani, 2014; Ruf and Burger, 2015; Anggraeny et al., 2016). Smallholders who do not have sources of replanting finance generally do not or don’t replant their plantations (Thang, 2011; Hutasoit et al., 2015).

Since the launch of the PSR program in 2017 until 2020, the Directorate of Plantations of the Indonesian Ministry of Agriculture recorded that the cumulative area of smallholder oil palm plantations proposed for replanting reached 562.78 thousand hectares from 99.65 thousand farmers of 1225 cooperatives (Subagyono, 2021). Of these proposals, about 228.8 thousand hectares or about 40.4 percent have been obtained. Meanwhile, the replanting funds that have been distributed by BPDPKS to their accounts are around IDR 5.3 trillion for around 200.2 thousand hectares. However, the realization that it has been planted has only reached about 89.12 thousand hectares, or 15.7 percent of the farmers’ proposals. Although the realization is still low, the PSR area in 2021 is still targeted at around 180 thousand hectares.

The low realization of PSR is caused by various problems (Coordinating Ministry of Economic Affairs, 2021; BPDPKS, 2021) namely: (1) incomplete land legality of smallholder plantations; (2) smallholders farmer institutions are not yet bankable; (3) verification of PSR proposals that are bureaucratic; and (4) problematic of farmers accounts. These problems have still been an obstacle to the implementation of PSR from the beginning until now, although related stakeholders such as the Directorate General of Plantation and BPDPKS have made various improvement efforts, such as simplification of requirements and processes.

This shows that these obstacles have become the government’s homework that must be resolved more seriously and in the near future, so that the acceleration of the PSR program can be achieved. However, it seems that to resolve these obstacles, the government will need time considering that these obstacles involve cross-governmental.
MULTIBENEFIT OF REPLANTING

Basically, replanting oil palm plantations is not just replacing old plants with younger and superior plants. Moreover, replanting also means improving and preserving the quality and quantity of multifunctional plantations/agriculture. These multifunctions concept (Huylenbroeck et al., 2007) include economic functions (white function), social functions (yellow function), and environmental functions (green function, blue services/function). In other words, replanting is a mechanism for oil palm plantations to enlarge and improve their multifunctionality and while passing them on to the next generation.

PASPI projections (2014) show that if the replanting of Indonesian oil palm plantations is carried out consistently every year, it will increase the productivity from around 4 tons of oil per hectare in 2020 to around 7.4 tons of oil per hectare in 2050. Assuming the national oil palm plantation area remains at 15.5 million hectares, then palm oil production will increase from around 52 million tons to 104 million tons during this period or there will be additional palm oil production of around 52 million tons without area expansion towards 2050.

The additional production of palm oil has the potential to create direct and indirect economic benefits of the smallholders, local, national, and global. Replanting will increase FFB production so that the income of smallholders will increase and have implications for regional and national economic growth, as well as increased exports (Susila, 2004; Joni, 2012; World Growth, 2009, 2011; Kotagama et al., 2013; PASPI, 2014; Kasryno, 2015; Ernawati, 2019; PASPI-Monitor, 2021). Even the economic benefits of increased production due to replanting are also enjoyed by the global community (European Economics, 2016).

The increase in palm oil productivity resulting from replanting will result in greater palm oil production and has the potential to also provide multiple benefits, both economic benefits, social benefits, and ecological benefits that can be enjoyed by smallholders, regional, national, and global.

CONCLUSION

Replanting is one of the ways to increase the productivity of oil palm plantations. Basically, replanting is part of a company’s routine activities for plantations. However, in its implementation in smallholder plantations, it often faces obstacles due to their limitations. Therefore, the Government of Indonesia issued the Peremajaan Sawit Rakyat (PSR) program to support the implementation of replanting in smallholder oil palm plantations. The two policies related to the PSR program are the Institutional Policy and Governance and the Financing Policy with the source of financing from palm oil levy funds.

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REFERENCES


