

AN EVALUATION OF STRATEGIC ISSUES AND CHALLENGES FACING SMALL/MEDIUM PALM GROWERS IN RIAU PROVINCE

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***Abstract:** The palm oil is one of the plantation-sectors which has helped improve economic conditions in Indonesia and has proved a powerful tool for poverty alleviation. The oil palm has been successfully adapted suit the needs of small/medium growers. This research focuses on an evaluation strategic issues facing small/medium palm oil growers in Indonesia. This research method uses an exploratory case study approach to answer research aims and questions, based on review of relevant literature and interview questions. The PESTLE framework is the main tool used to evaluate strategic issues and challenges. Data has been collected using primary data as qualitative research by conduction semi-structured interviews with palm growers in Indonesia's Riau Province. The secondary data has been used to a relevant source to research problem before and after collection of the primary data. Research findings suggest Indonesia has a succesfull national cluster of palm oil industries.*

***Keywords:** Palm oil, small/medium growers, PESTLE Framework, strategic issues and challenges, national cluster.*

INTRODUCTION

The oil palm is native to West and Central Africa (Sastrosayono, 2003), but Indonesia is currently the world's largest producer of palm oil and palm kernels, which are extracted from its fruit (MPOB, 2010). If properly cultivated, the oil palm produces higher yields per hectare than any other oil-seed crop, and it has an exceptionally long life-span for commercial purposes of about 25 years (Henderson & Osborne, 2000). However, the rapid growth of the industry now underway in Indonesia is controversial because it is said to threaten the rainforest (Greenpeace, 2010). This research will look at the growth of the industry from the perspective of Indonesian small palm growers for whom both the rapid

expansion of output and the international controversy present strategic issues and challenges which are not often discussed in the media.

The lack of previous study into the strategic issues and challenges for the palm oil business, particularly in the Riau province of Indonesia, is also the biggest reason for this research. The palm industry in Riau province was selected because the author personally knows many people engaged in or doing business in oil palm plantations in Riau province, allowing further exploration of strategic issues and challenges. The reason for the researcher's interest in this area is because palm oil is one of the agricultural commodities which serve as economic indicators in Indonesia, has played a positive role in the world, and is in great

demand within Europe, America, and Asia (Pahan, 2008).

Research Aim and Questions

The title of the journal is an evaluation strategic issues and challenges facing small/medium oil palm growers in Riau Province, this brings up research aim and question, which need to answer. The question is how can small/medium palm growers in Indonesia evaluate the strategic issues and challenges? The PESTLE framework consists of theories which can provide an analysis of the external or macro environment in the palm oil industry. This includes analysis of issues and challenges for Indonesian palm oil producers in terms of political, economic, social - cultural, technological, legal and environmental concerns. By understanding the macro environment in the palm oil industry, palm growers can not only evaluate the strategic issues, but also take advantage of the opportunities, minimize the threats and losses, and help quickly adapt to the realities of the macro environment of the palm oil industry.

Theoretical Framework

Strategy is about two questions: 'What businesses should we be in?' And 'How do we compete in a given business?' (Hofer, 1975). Strategic management may be seen as a process through which organisations analyse and study their external and internal environment, set direction, and create and implement strategies to move the organisation towards it, in an effort to satisfy key stakeholders (Harrison, 2003).

This research intends to use this broad concept of strategic management in order to analyse the strategic issues and challenges facing small/medium growers as they try to adapt to changes in both the external and internal environment.

External Environment

The external or macro-environment is

the world in which organisations operate. Whatever their type of business, organisations will never and cannot operate separately from other organisations or individuals in the vicinity, whether they are customers, suppliers or employees. It is clear that the external environment of each organisation is a large and complex concept (Capon, 2008).

Moreover, the PESTLE framework can be used to identify how future trends in political, economic, social, technological, environmental and legal environments impinge on organisations (Johnson et al, 2005:65). The political environment is the political viewpoint of how business operates. Political factors include decisions taken by national and local government political parties. The political environment is the most significant determinant of organisational success (Capon, 2008).

The economic environment is economic trends associated with global and domestic economies, such as interest rates, unemployment rates, labour costs, and the impact of globalization. Economic decisions shaped by politics may also influence business (Haberberg & Rieple, 2008). The social-cultural environment includes analysis of social trends and is considered essential to influence the broader community as it can create opportunities for the organisation. Proper judgment of social trends can help business avoid restrictive legislation which could be a threat to the success of an organisation (Harrison, 2003). An example of a social trend explored in chapter four is the rise in ecological awareness in western societies, which have traditionally been major users of palm oil.

Technological factor is the transformation in which a company competes for changes in technology; sometimes these changes span the boundaries

of many industries, affecting also changes in society itself (Haberberg & Rieple, 2008).

Changing technologies can also influence environmental issues for a business. The environment is now much more than an economic issue; as well as reducing costs, being environmentally friendly and reducing the carbon footprint must also be part of an organisation's strategy (Capon, 2008).

Therefore, the researcher is convinced the PESTLE framework is useful for the case study in this study, as it allows an understanding of the palm oil industry in Indonesia, how it operates, the opportunities and threats that lie within the external environment, and also to evaluate how different environmental factors in the palm oil industry in Riau may influence business performance now and in the future. Thus, by completing a PESTLE analysis, the researcher also will be able to answer the research questions and analyse the key strategic issues and challenges facing small/medium palm growers in Riau province. Figure 1 below describes and classifies the parts of the PESTLE framework.



Gambar 1. Pestel Analysis

Research Method

The research strategy is to ask how small-scale oil palm growers in Riau province are facing strategic issues and challenges in the oil palm industry, through a series of semi-structured interviews with small/medium palm growers. The semi-structured interview is a tool to collect primary data with qualitative approach and, according to Cameron and Price (2009), lies somewhere between unstructured and fully structured interviews. It is widely used as a practical business research method. The degree of openness and flexibility may vary considerably. Blumberg's advice was followed in this research, in that the semi-structured interviews started with specific questions, before, during the interview session, the researcher allowed the interviewee to follow his or her own thoughts later on (Blumberg et al, 2008). In addition, the interviewees sometimes supplied additional information beyond the questions they were answering.

Data Collection

As mentioned in the first chapter, the aim of this research is mainly to explore the strategic issues and challenges facing small/medium growers in the palm oil industries in Indonesia. Thus the study requires the utilisation of a qualitative method. Data and relevant information was collected using both primary and secondary data sources. Secondary sources include data obtained from the Food and Agriculture Organisation, Indonesia Palm Oil Association (GAPKI), Detik Newsletter Indonesia, Tempo interactive news, Indonesian Research Institute for estate crops, strategic management textbooks, and certain textbooks regarding the palm oil industry, journals, articles and other related sources.

Eight interviews were conducted with palm oil producers in Pekanbaru,

the capital city of Riau province to obtain primary data. Contacts for the interviewees were obtained from families, friends of the researcher's father, and friends of friends. Interviews were carried out face to face. The interviewees were asked to respond to a set of questions related to strategic issues including macro environment and industry trends in the oil palm businesses. Most of the interviews were conducted during the normal working day in Indonesia and lasted, on average, about 30 minutes. Before conducting an interview, the interviewees were contacted to obtain informed consent. The interviews were spread over a period of 30 days. The face-to-face interviews were carried out in Bahasa Indonesia (Indonesian Language) to help respondents provide as much detailed information as possible for this research, and recorded and transcribed for analysis. 12 open-ended questions were asked to explore the objective of this study.

Data Analysis

PESTLE Analysis of the Small Palm Oil Growers in Riau Province. The identification overall in analysing the macro-environmental in the small/medium palm growers, hence it will give an understanding of how the PESTLE factors are likely to influence the palm oil sector in Indonesia

Political

Indonesia's political system is still immature, and the political party system is still dominated by personalities rather than issues, although this is slowly changing. Meanwhile, although the elections are now largely peaceful affairs, there do, however, remain allegations of irregularities and vote buying (BMI, 2010). One of the political issues faced by small/medium palm oil growers in Indonesia is the tendency of large pri-

vate companies to get involved in local and/or national politics through, for example, express lobbying and other political processes, which influence the decisions of politicians and civil servants (Johnson et al, 2008). During elections such presidential or gubernatorial campaigns, small palm growers who are part of a partnership scheme with private companies have to support the candidate or party linked to the private companies, in order to make life easier within a stable political system for the future of the palm oil business (Andi, interview, 25/05/2010). Compare this with the experience of Mr. Bobby, who is independent of the private palm oil business; he is struggling to manage his relationship with government. Some of his palm plantation was taken by the local government to build a road. He was not paid for either the land which was taken or around 18 palm trees which were destroyed (Bobby, interview, 29/05/2010).

Meanwhile, at the international level, the main current political issue affecting the Indonesian palm oil Industry is that governments are getting involved in the debate over the Greenpeace campaign. Greenpeace has exposed the extent of forest damage caused by Indonesian palm oil production and is campaigning for the termination of contracts. A number of users of Indonesian CPO such as Unilever and Nestle have decided to terminate contracts with Indonesian CPO producers after coming under pressure from Greenpeace (Antaraneews.com, 2010a). Termination is also threatening the livelihoods of 3.3 million oil palm farmers in Indonesia and 13.2 million members of their families who depend for their livelihoods on the production of CPO. The terminations also have an impact on the prices of fruit bunches in Riau (Riaubisnis.com, 2010). In order to

solve this problem, the Indonesian government sent a delegation to meet European parliamentarians to ensure they recognise that Indonesian palm oil production is focusing on sustainability (Detik.com, 2010b).

Economic

In term of economic factors, the price always changes, and the economic welfare of the workers is an issue in the oil palm industries in Indonesia. One of the small palm growers interviewed faces a situation where he cannot directly sell the fruit bunches to the company near his plantation area, but must sell through an agent. The agent and the company have an agreement whereby small palm growers have to sell the fruit bunches through their agent, rather than directly to the company (Leo, interview, 28/05/2010). Another economic issue facing small/medium palm growers is where the price of palm oil is always changing. When the price of fruit bunches is dropping, the palm growers cannot cover the fertiliser and maintenance costs (Lukman, Interview, 29/05/2010). Another issue is the welfare of the workers. The higher salaries in neighbouring Malaysia are one of the big economic issues in business palm oil industries. "...Our workers in Indonesia prefer to work in Malaysia because the salaries are much higher than in our country..." (Al-Haris, interview, 25/05/2010). These paradigms where the salaries in Malaysia are higher compared to Indonesia remains a problem in Indonesia, where government sets lower salaries in order to attract foreign investment in Indonesia.

Social

Social is one of the factors relating to the palm oil business. One social influence the small/medium palm growers

face is theft and extortion. Security has been a big social issue for the palm oil business with an average of 5%-10% of estate crops being stolen at night, especially from areas near villages and public roads (Barlow et al, 2010). Where the theft happens in the palm oil plantation area regular workers are rarely involved and most thieves are outsiders (Al-Haris, interview, 25/05/2010). One problem which sometimes affects smallholders is when the police and local officials demand money (Syaiful, interview, 17/05/2010). All these issues and challenges for the growers can also be seen as political issues with law and order still a problem in Indonesia.

In contrast, one social network activity in the community palm oil Indonesia is 'Koperasi' or community co-operation unit. Koperasi was established by the oil palm growers themselves with government encouragement to help fellow growers, along with mutual support to achieve their economic goals. As the researcher saw, social networking is important, and is not seen as a trend or an issue. Rather, it is something that has always been there. Social networking in Indonesia is healthy, indicating that Indonesian people are collectivist as compared to individualist, which is part of Indonesian culture (Hofstede, 2010).

Technological

Technological influences refer to innovations such as seeds, fertilisers and planting material. One palm grower prefers to buy seeds from Malaysia and fertiliser from China. The seedlings from Malaysia are very good compared to local seedlings. The Malaysian seeds mature quickly compared to local ones, and also have a lot fruit bunches on each of the palm trees (Yuliana, 25/05/2010). Another grower prefers

organic fertiliser where he makes compost from his chicken farm. He prefers to use organic rather than chemical fertiliser (Lukman, interview, 29/05/2010). According to GAPKI, the government encourages small growers to use organic fertilisers and produce it themselves and has prepared a fund to improve agricultural extension fields so that it can guide farmers to produce quality organic fertiliser (Gapki, 2010a).

Environmental

For an owner-manager in the palm oil industry to be effective, he must have an understanding of the environment in which it operates. A number of factors that affect small palm oil growers are fires in the dry season, earthquakes, animals, wildlife and pests. For example, when the plantation is still young, the possibility of fires during the dry season remains a sensitive issue. But when the plants are already mature and harvested, the issue of burning does not really exist (Al-Haris, interview, 25/05/2010). Moreover, another issue strongly linked to environmental issues in the palm oil plantation is wildlife such as elephants and hedgehogs, and pests which make the palm trees unhealthy and spread diseases (Lukman, interview, 29/05/2010), as well as pigs and monkeys climbing and eating the immature fruit bunches (Yuliana, 25/05/2010).

Legal

The legal framework surrounding the palm oil industry in Indonesia is changing fast concerning the environment and socio-economics, with the Indonesian Government promoting the implementation of Indonesian Sustainable Palm Oil (ISPO) as the mandatory government standard for the Indonesian Palm Oil Industry.

The ISPO will be implemented in January 2011 (Ditjenbun, 2010). The Implementation of ISPO by the smallholders should be enforced which will maximize domestic oil production without sacrificing the environment (Gapki, 2010b).

In addition, Indonesia and Malaysia, which, between them supply 85 percent of the world's palm oil, have agreed to work together to overcome the negative issues and campaigns against the palm oil industry. The agreement was stated in a memorandum of understanding (MOU) signed by the Indonesian Palm Oil Association (GAPKI), Malaysian Palm Oil Association (MPOA), Indonesian Palm Oil Growers Association (Apkasindo), Plantation Owners Association Sarawak Palm Oil (SOPPOA), the Federal Land Development Authority (Felda), and the Estate Investors Association of Malaysia in Indonesia (APIMI) in Jakarta (Indonesia Exim Bank, 2010).

Key Research Findings

Firstly, how can smallholders operate effectively within a corrupt political environment as happens in Indonesia, where one-way government is particularly important for their success? It was seen that this is a challenge for small-holders as smallholders need to be friends with government in order to find life easier. On the other hand, small palm growers also need not to burden the government, because they will face a variety of difficult problems in the future. This situation is still a dilemma in Indonesia.

Secondly, how can smallholders cope with big price fluctuations from one year to the next? Does it matter? What happens with the income of palm producers? This is a major challenge for smallholders. As smallholders are poor people they cannot do

anything except sell their plantation or wait until the price rises again and continue with the business. The role of government is needed here in order to stabilise prices. This also relates to the welfare of the palm growers. A decline in fruit bunches prices means palm growers are overwhelmed, unable to buy fertiliser, have inadequate funds to cover the cost of maintenance and certainly cannot make a profit. This also can be a strategic issue. So, in future the smallholders need to be better prepared to meet these price fluctuations. **Thirdly, how can small business owner-managers cope with the theft and extortion? How they can manage this problem?** This is a structural problem, not an issue or trend, since it will always happen. However, it is a challenge for new small/medium palm producers to cope with this problem. These social problem and challenges for the growers can also be seen as political issues as law and order are still not strong in Indonesia.

Limitation and further research

The study in this research has some limitations. Firstly, the number of interviewees in this study was only 8 people, as compared with the hundreds of palm growers in Riau province. Although the interviewees who took part in the interviews all run successful palm oil businesses, with a myriad of experience, knowledge and information about the palm oil business, in order to get more reliable results, it is important to have more interviewees. Secondly, future research can be extended to give more time, more funds, more data collections and collaboration between researchers in a specific big project. Thus, it may initiate directions that lead to a generalisation of the palm oil industry, which applies not only in Riau province, but also in other province.

Finally, even though the research has some limitations, this study has however highlighted for the researcher valuable findings related to strategic issues and challenges facing small/medium palm growers in Indonesia. Furthermore this research has contributed proper answers to the research questions described in introduction part. To the last point, the study has provided empirical evidence in the context of the palm oil business which can serve as an inspiration for the researchers for future studies or in real practice business life.

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APPENDICES

Interview Questionnaire

Open-ended question to support/Semi-Structured interviews in which the interviewees can express their opinions to generate the hypothesis which the researcher will then investigate using secondary resources.

These are the questions that will be asked for Interviewees in "An Evaluation of Strategic Issues Facing Small /Medium Oil Palm Growers in Indonesia".

1. What strategies do you use to manage your palm plantation?
2. What strategic issues do you face when you manage the palm oil plantation?
3. How do you manage your human resources/workers? How many workers do you need?
4. What, if any, environmental issues do you face when you manage the palm oil plantation? How do you manage the problem?
5. What strategies do you use when the price of palm oil is dropping/in decline? And, do you think that prices are likely to go up/down in the rest of the year? And why?
6. What are the big issues you face when you manage your oil palm growers?
7. What political issues does your oil palm plantation face?

8. Does government affect your business and if so, how?
9. What are the economic issues faced by oil palm plantations?
10. What are the social issues faced by oil palm plantation? How does the community affect your business?
11. What do you think of the seedling/planting material and fertiliser available to you?
12. How do you see the future of your palm oil plantation?

INTERVIEW TRANSCRIPT

Interview Transcript 1

1. Detail of Interview

Interview : Mr. Wan Syaiful (Owner-manager)
Address : Bantan street Town
Town : Bengkalis
Role : Grower
Age : 56
Area : 50 Hectares
Date of Interview : 17/05/2010

2. Questions and Answers

Introduction: Mr. Syaiful has planted the oil palm plantation since 1995. He planted the first palm oil plantation with 10 hectares land. He continued to plant oil palm, year by year until, around 2006, he planted a total area of 50 hectare.

- a. What strategies do you use to manage your palm plantation? He said, the strategies he used are planting, maintenance, harvest, and transport.
- b. What strategic issues do you face when you manage the palm oil plantation? He said strategic issues he faced were issues of human resources. Workers are big issues when they work with us.
- c. How do you manage your human resources/workers? How many workers do you need? About 50 hectares of oil palms were successfully planted; he needed 25 people during plantation. But after

- 5 years when the palm oil had already matured, he only needed 10 people, which is 1 person responsible for 5 hectares plantation.
- d. What, if any, environmental issues do you face when you manage the palm oil plantation? How do you manage the problem? He faces small problems in environmental issues like pigs or monkeys. During the dry season, he deals with the threat of fire by making trenches properly.
 - e. What strategies do you use when the price of palm oil is dropping/in decline? And, do you think that prices are likely to go up/down in the rest of the year? And why? When the prices dropped, he did not harvest because he would not get any profit. He thought selling the fruit bunches would not cover the cost of transportation and workers. He had no choice but to not sell the fruit-bunches. But he still put down fertiliser. If he did not, the palm trees would be defective.
 - f. What are the big issues you face when you manage your oil palm growers? He said the big issue is workers. How the workers work with us. Because we know the workers as people, not professional workers, they are always making trouble. In front of him they work very well. When he leaves the area, the workers start relaxing, such as smoking and sleeping.
 - g. What political issues does your oil palm plantation face? No political issues.
 - h. Does government affect your business and if so, how? Government doesn't affect his business.
 - i. What are the economic issues faced by oil palm plantations? No economic issues.
 - j. What are the social issues faced by oil palm plantation? How does the community affect your business? The social issue which always comes up is theft. Also, people living around the area of the palm oil plantation intimidating him for money (blackmail).
 - k. What do you think of the seedling/planting material and fertiliser available to you? He got the seeds and planted material from outside Riau province in South Sumatra (Palembang). The seeds and planted material he bought was subsidised from the government.
 - l. How do you see the future of your palm oil plantation? He said business in palm oil plantation is really good business. But while we are involved in this business, as the owner we must be patient, confident about this business, where this business will succeed in the future. He added that, in this business, we need to spend a lot of money from land clearance until the oil palms have been planted, after which, in around 4 or 5 years, the palm will be mature/harvested.

Interview Transcript 2

1. Detail of Interview

Interview : Mr. Boby (Owner-manager)
Address : Minas District
Town : Siak Regency
Role : Growers
Age : 23 years
Occupation : Student
Area : 7.5 Hectares
Date of Interview : 29/05/2010

2. Questions and Answers

Introduction: Mr. Bobby's father bought the oil palm plantation, which already matured with 7 years age in 2002. Currently, the oil palm plantation becomes one of family small business for their family.

These are the questions will be asked for interviewees in "An Evaluation of Strategic Issues Facing Small /Medium Oil Palm Growers in Indonesia".

- a. What strategy do you use to manage your palm plantation? He answered maintenance, harvest, and transport.
- b. What strategy issues do you face when you manage the palm oil plantation? Yes, he has strategy issues lack of management resources, issues lack of control and decision-making.
- c. How do you manage your human resources/workers? How many workers do you need? 4 people works for 7 hectares. The workers he got are people living near his plantation. So, the workers living in their own home not inside Bobby's plantation. He paid workers when the time of harvesting, by cutting the profit of every process harvest.
- d. What if any environmental issues do you face when you manage the palm oil plantation? How do you manage the problem? The palm oil plantation is declining since the earthquake happened last year. Before the earthquake was happened, the fruit bunches he would get around 700 kg per hectares. But, currently he just harvest around 500 kg per hectare. Also environmental issues he always trouble with pest. In order to manage pest, he must give pesticides to kill the pest.
- e. What strategies do you use when the price of palm oil is dropping/decline? And, do you think that prices are likely to go up/down in the rest of the year? And why? When the price of palm oil drop, he still sell the fruit-bunches. But the fruit-bunches he sold cannot cover the maintenance and harvest cost. He sold another empty land near his area to cover the palm oil operational cost.
- f. What are big issue do you face when you manage your oil palm growers? The big issues he face is; some of the area in his plantation took by government to make road. But, until now government did not pay to him the land take by them. Currently, this issues still he face. He wanted government to pay him, around 18 palm trees was destroyed and land becomes small.
- g. What are political issues faced by oil palm plantation? - .
- h. Does government affect your business and if so, how? He said, government make rule that every small scale oil palm growers need to pay 10 rupiah per ton during harvest, in order for government to help other poor people become welfare surrounded in his area. Government also giving subsidize price for fertilizer and planting material.
- i. What are economic issues faced by oil palm plantation? No.
- j. What are social issues faced by oil palm plantation? How does community affect your business? He said when harvest coming some people nearby intimidating from him. And also during bring the fruit bunches to the oil palm processing company, in the road

way to the company, some people want money from his driver.

- k. What do you think of the seedling/planting material and fertilizer available to you? He bought planting material and fertilizer in cooperative.
- l. How do you see the future of your palm oil plantation? He said in the future the oil palm plantation not really good. Because what he can see a lot of people in Riau are businesses in palm oil plantation. So, he thought one day the price of oil palm plantation would drop. He suggested to plant another plantation such as rubber or 'Jarak' trees are more better compare to palm oil plantation in the future.

Interview Transcript 3

1. Detail of interview

Interview : Mr. Andi (Owner-manager)

Address : Tapung Village, Petapahan District.

Town : Kampar

Role : Grower

Age : 24

Occupation : Student and Businessman

Area : 6 hectares, divided into three lots of 2 hectares in different locations and planted in different years. 2 ha 12 years old, 2 ha 7 years old planted from Sinar Mas Group company. Finally, another 2 ha from Raya Company.

Date of Interview : 25/05/2010

2. Questions and Answers

Introduction: He owned the oil palm plantation after 7 years, where his land was rented by Sinar Mas Company to plant the oil palm. With the profits that he got from two hectares, he planted another 4 hectares. With

the 6 hectares palm oil, he can make a profit every month to support his younger sister's education.

- a. What strategies do you use to manage your palm plantation? He uses maintenance and harvesting strategies to manage the palm plantation.
- b. What strategic issues do you face when you manage the palm oil plantation? -
- c. How do you manage your human resources/workers? How many workers do you need? He needs 3 family workers for 6-hectare palm plantation, with 1 family worker responsible for each 2-hectare plot.
- d. What, if any, environmental issues do you face when you manage the palm oil plantation? How do you manage the problem? He faces environmental issues like elephants. Also, in the dry season, he was afraid of fire burning his palm plantation.
- e. What strategies do you use when the price of palm oil is dropping/in decline? And, do you think that prices are likely to go up/down in the rest of the year? And why? When the prices drop, he still does the harvest. Price depends on the company and government. Currently the price is not stable. But the price decline does not really affect his business because he still gets a little profit. He thought the company and government were working together in order to stabilize the price.
- f. What are the big issues you face when you manage your oil palm growers? There are two big issues he faces, which are environmental issues such as elephants (wild animal) and fire.

- g. What political issues does your oil palm plantation face? The political issue faced by him is that, during local elections such as elections for governor and regent, where the company related to us (Sinar Mas Group) choose one candidate or party, we have to support them too. Because the candidate we supported won the election, the company's future business and our business will continue to run smoothly.
- h. Does government affect your business and if so, how? Government working together with company to stabilize prices.
- i. What are the economic issues faced by oil palm plantations? No economic issues.
- j. What are the social issues faced by oil palm plantation? How does the community affect your business? He said the social issues he faces in the oil palm plantation are people stealing the fruit bunches.
- k. What do you think of the seedling/planting material and fertilizer available to you? He got the seedling and planting material from the company (Sinar Mas Company) in the first year until 7 years. After the plantation became his own business, he bought fertilizer from a co-operative (Koperasi Unit Desa).
- l. How do you see the future of your palm oil plantation? He said business in oil palm plantation is a very good prospective business.

District.
 Town : Rokan Hulu
 Role : Grower
 Age : -
 Sex : Male
 Area : 250 hectares
 Date of Interview : 25/05/2010

2. Questions and Answers

Introduction: Mr. Fritz is an owner-manager with 250 hectares palm oil plantation. He got the oil palm plantation from his father. The oil palm plantation is a family business in his family. His father planted the oil palm around the 1980s. Currently, he has 250 hectares with 40 workers. The interview with Mr. Al-Haris as operation manager took place in Mr. Fritz' office.

- a. What strategies do you use to manage your palm plantation? Mr. Haris answered, the strategies used in the company are planting, maintenance, harvest, and transport. He also said that the strategies in his business are external and internal. External is how their business relates to outside agencies in the palm area, such as how their business interacts with the community near them. Internal business is related to their workers, their system in the business, and their quality control.
- b. What strategic issues do you face when you manage the palm oil plantation? He answered the strategic issues are a lack of financial resources, lack of *management resources and human resources*, lack of systems and controls - poor decision making. All these issues exist in the business. He added workers are a big issue when they work with us. But, issues of management human resources can be solved by giving them more welfare, more salary or bonus. For issues of systems

Interview Transcript 4

1. Detail of Interview

Interview : Mr. Al Haris (Operation manager)
 Mr. Fritz. (Owner-manager)
 Address : Desa Aliantan

and control, he must have quality control to check their workers, their planting, and their transport system in order to make his business go smoothly and well.

- c. How do you manage your human resources/workers? How many workers do you need? With 250 hectare, the company needs 40 workers. People work in maintenance, planting, harvest and transport. In order to manage the human resources, he found workers with families, meaning husband and wife. So with families working in the plantation, it will make them feel at home in our business.
- d. What, if any, environmental issues do you face when you manage the palm oil plantation? How do you manage the problem? When the plantation was still young, there was an issue of burning which remained sensitive during the dry season. But when the plants are already mature and harvested, the issue does not really exist.
- e. What strategies do you use when the price of palm oil is dropping/in decline? And, do you think that prices are likely to go up/down in the rest of the year? And why? When the prices went down in 2007, the strategy the owner used was to still sell the fruit bunches. The owner-manager believed that prices would not drop and decline in the long term. He said there was a reason behind the decline in the price of fruit bunches. When the price declined, Mr. Haris said, the owner-manager still bought fertiliser using his own saving money.
- f. What are the big issues you face when you manage your oil palm

growers? Mr. Haris said the big issue for their business is actually the welfare of their workers. These issues can be seen from workers and owners as entrepreneurship. From workers, he heard salaries in Malaysia are bigger compared to Indonesia. The owner, he thought, already followed the government rule of giving a salary in excess of minimum wage for workers. So, actually the big issue in his business is the welfare of their workers.

- g. What political issues does your oil palm plantation face? No political issues.
- h. Does government affect your business and if so, how? Government doesn't affect their business. Sometimes from government, intimidating money from their business.
- i. What are the economic issues faced by oil palm plantations? No economic issues.
- j. What are the social issues faced by oil palm plantation? How does the community affect your business? The company faces a social issue which always happens; that is theft. The thieves are immigrants, not local residents or his workers. He added that people living nearby in his business or people working with him really seldom steal in his plantation. Just a small percentage. It exists but not much. In order to solve this problem, Mr. Al Haris added, we must be close to local people or people nearby in our business. When we know them and have a good relationship with them, they are disinclined to rob us.
- k. What do you think of the seedling/planting material and fertiliser available to you? He got the

seedling and planting material from local place. And he bought planting material and fertiliser in shops around Pekanbaru.

1. How do you see the future of your palm oil plantation? He said business in palm oil plantation has good prospects. He said the population would increase each year and demand from developing countries for the palm oil or the kernel also greatly increased. So palm oil business is very good for the present and future business.

Interview Transcript 5

1. Detail of Interview

Interview : Mr. Leo Hadisaputra
(Owner-manager)
Address : Libo Pauh village,
Sontang District.
Town : Rokan Hulu
Role : Growers
Age : 24
Occupation : Palm Growers
Area : 14 Hectares
Date of In- : 28/05/2010
terview

2. Questions and Answers

Introduction: First of all, his father planted with only 2 hectare in 2003. Then around 2004, his father planted another 12 hectare. He lives in the plantation. The oil palm plantation is a family business for his family.

These are the questions will be asked for Interviewees in "An Evaluation of Strategic Issues Facing Small /Medium Oil Palm Growers in Indonesia".

- a. What strategy do you use to manage your palm plantation? He told he has 3 strategies, fertilizer, and then maintenance then harvest.
- b. What strategy issues do you face when you manage the palm oil plantation? Issue lack of finance. He added, during managing small

- scale palm grower, we have to manage our finance properly.

- c. How do you manage your human resources/workers? How many workers do you need? Mr. Leo is living in his oil palm plantation with his two younger brothers. When the harvest comes, he needs more workers. He will search another contract workers with system paying per day.
- d. What if any environmental issues do you face when you manage the palm oil plantation? How do you manage the problem? He usually face environmental like pig eating their fruit-bunches. But currently these issues become small issues, because he plantations near the big company. Company security killed animal the wild life such as pig and monkey. He added, in his plantation, he ever face environmental issue likes Bears eating his fruit bunches.
- e. What strategies do you use when the price of palm oil is dropping/decline? And, do you think that prices are likely to go up/down in the rest of the year? And why? When the price decline, around his plantation the price not really drop. He can still get profit during decline.
- f. What are big issue do you face when you manage your oil palm growers? No big issue.
- g. What are political issues faced by oil palm plantation? No.
- h. Does government affect your business and if so, how? No.
- i. What are economic issues faced by oil palm plantation? Economic issues he face, he cannot sell directly the fruit bunches to company near them. He must sell through agent. In addition, he heard that, agent and company

having speculation that every small palm growers have to sell through agent couldn't sell directly to company. Because Mr. Leo does not have transport to sell directly to other company, he does not have any choice to sell through agent. He can sell the fruit-bunches through other company but the companies accept to buy directly are quite far from his plantation.

- j. What are social issues faced by oil palm plantation? How does community affect your business? Social issues not really much he faced. He said, he must having good relationship with people surrounded his plantation. Currently, people nearby are stealing the palm oil company not for small growers.
- k. What do you think of the seedling/planting material and fertilizer available to you? He bought the seeds which available near his place. He planted with "Marihat" seeds, which come from South Sumatra regency (Medan). He said a 'Marihat' seed is the best seeds around his place, because adopted the land structure in his plantation location. In term of fertilizer, he bought organic fertilizer from shop around his place.
- l. How do you see the future of your palm oil plantation? He said the oil palm plantation is very good prospective business in the future. But, we must carefully and smart to manage our finance.

Interview Transcript 6

1. Detail of Interview

Interview : Mr. Lukman (Owner-manager)
 Address : Jalan Candika, Bangkinang District.
 Town : Kampar

Role : Growers
 Age : 48
 Occupation : Government employee and Businessman.
 Area : 20 Hectares
 Date of Interview : 29/05/2010

2. Questions and Answers

Introduction: Mr. Lukman planted the palm oil around four years ago with 5 hectares plantation. In 2007/2008 he planted another 10 hectares and around 2009 he planted 5 hectares. Currently, he has 20 hectares the palm oil plantation. Actually Mr. Lukman has own chicken farm business, with 100 thousand chicken populations in his land plantation. He started in chicken farms business since ten year ago. After 6 years he has been business in chicken farms, he setup another business in palm oil plantation. Currently, 5-hectare palm oil has been harvest. Another 10 hectares will start harvest in the next year. He will plantation another 20 hectares during two or three years.

These are the questions will be asked for Interviewees in "An Evaluation of Strategic Issues Facing Small /Medium Oil Palm Growers in Indonesia".

- a. What strategy do you use to manage your palm plantation? He told he has 3 strategies, fertilizer, maintenance and harvest.
- b. What strategy issues do you face when you manage the palm oil plantation? Mr. Lukman said issue lack of finance, issues lack of management human resources and issues lack of control or decision-making.
- c. How do you manage your human resources/workers? How many workers do u need? 1 family worker responsible for 5 hectare.
- d. What if any environmental issues do you face when you manage the

palm oil plantation? How do you manage the problem? Mr. Lukman face environmental with animal wild life, such as elephant and hedgehog. He managed by making big trench like river in order to avoid the animal coming to his plantation and destructing his palm trees. Moreover, he also facing small problem with pest. In order to manage the pest by giving the pesticide properly.

- e. What strategies do you use when the price of palm oil is dropping/decline? And, do you think that prices are likely to go up/down in the rest of the year? And why? When the price of palm oil drop, he still sell the fruit-bunches. He has own saving from chicken farm business. When the price oil palm drop, even though he did not get any profit, he also still do fertilizer, in order to make his palm oil plantation are healthy.
- f. What are big issue do you face when you manage your oil palm growers? The big issues he face when the fist year he plant the oil palm. He has big issue surrounded him; he heard every kind of seeds is different price when it will harvest. When he did research, the big issue only issues from some companies and agents. Actually in the practice, no one will ask the fruit bunches is come from which seeds. Every kind of fruit bunches from any seeds can sell through the company.
- g. What are political issues faced by oil palm plantation? No.
- h. Does government affect your business and if so, how? Yes, local government helped and gave him information which the best seeds and suitable with his land structure.
- i. What are economic issues faced by oil palm plantation? In term of economic issues, Mr. Lukman sees the price of oil palm always changing. He wants the price of palm oil is stabilized. Because when the price decline he cannot cover the fertilizer cost.
- j. What are social issues faced by oil palm plantation? How does community affect your business? He said people around him are happy he plants the oil plantation.
- k. What do you think of the seedling/planting material and fertilizer available to you? He bought the seedling from local plantation government. He has very good seedling with guarantee from local government. He called the seedling name is 'Restorika'. In term of fertilizer, he made fertilizer from his chicken farm. So, the fertilizer he use is organic fertilizer.
- l. How do you see the future of your palm oil plantation? He said oil palm plantation is very good business. Population in the world always increase he said, demand for energy also increase. In order to cover enough supply energy in the world, he said people will need more the oil palm in the future.

Interview Transcript 7

1. Detail of Interview

Interview : Madam Yuliana (Owner-manager)
 Address : Jalan Garuda sakti, Siak Hulu District.
 Town : Kampar
 Role : Growers
 Age : 48
 Occupation : Trader
 Area : 10 Hectares
 Date of Interview : 25/05/2010

2. Questions and Answers

Introduction: She planted 8 hectares palm oil plantation by own around 2004/2005. She also has 2 hectares with cooperation community units. Currently, the palm oil plantation with 8 hectares which only 5 hectares have matured and have been harvest, another 3 hectare was damaged because of the seeds. She planted 5 hectare with seeds from Malaysia, then 3 hectares with local seeds.

These are the questions will be asked for Interviewees in "An Evaluation of Strategic Issues Facing Small/Medium Oil Palm Growers in Indonesia".

- a. What strategy do you use to manage your palm plantation? She talked, the strategy she used are fertilizer, maintenance and harvest.
- b. What strategy issues do you face when you manage the palm oil plantation? Issues lack of finance resources. .
- c. How do you manage your human resources/workers? How many workers do you need? For maintenance she only need one family worker. During harvest time, she will contract 2 or 3 another workers with system paying per day. The workers she rent are close family with family workers living in his plantation. She added, she will pay workers with 1 ton fruit bunches is 1000 rupiah. Mean, if she harvest around 500 ton per day, she will pay 500,000 rupiah to the workers.
- d. What if any environmental issues do you face when you manage the palm oil plantation? How do you manage the problem? Just small environmental issues such as pig climbing and eating the fruit bunches.
- e. What strategies do you use when the price of palm oil is dropping/decline? And, do you think that prices are likely to go up/down in the rest of the year? And why? When the price of palm oil is dropping in year 2007, her oil palm plantation has not matured yet. She did not face this problem.
- f. What are big issue do you face when you manage your oil palm growers? No big issue.
- g. What are political issues faced by oil palm plantation? No political issues.
- h. Does government affect your business and if so, how? She got friends from local government work as plantation department. From her friends, she gained advice and information about business palm oil plantation.
- i. What are economic issues faced by oil palm plantation? No economic issues.
- j. What are social issues faced by oil palm plantation? How does community affect your business? No social issues he faced such as theft or extortion. Because she contracts workers which living near his plantation, means she give people works in his plantation.
- k. What do you think of the seedling/planting material and fertilizer available to you? She bought seedling from Malaysia. She said the seedling from Malaysia is very good compare to local seedling available near him. She planted 5 hectare with the seedling from Malaysia and another 3 hectare with local seed. The 5 hectares has very trees and healthy. The three hectares with local seeds was damaged. She added, she bought planting material and

fertilizer from China where she can buy from shop near her location.

1. How do you see the future of your palm oil plantation? She said the oil palm plantation is one of good business in the future. She engage in this business because her believe with his family, where some his family engage in this business become rich and welfare. She learnt from her father in law.