

Oil Palm Plantation PIR Model: The Power Relationship between Planters and Company

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Abstract—Oil palm plantations -- which integrate PIR planters and companies in the production organization -- is considered to harm the planters. Plasma planters are subordinated and powerless in the face of the company. The questions is, however, whether the plasma planters are always weak position in the overall production process of the PIR model. This paper aims to describe the stages and processes of PIR estate partnerships and discuss the dynamics of power involved in the process. Actors' perspective are used to see political action of planters in accessing economic resources. The result of this study shows that the power of plasma planters against companies has shifted, due to the change of control over the estate resources. Initially, controls of the estate were in the hands of the company and then shifted to the hands of planters. Control over estate resources makes it possible for the planters to compete in maximizing the results and some planters were able to reduce plantation pressure using a new mechanism of oil palm distribution.

Keywords: *palm oil plantations, plasma planters, power relations, company, PIR*

I. INTRODUCTION

The Nucleus Estate Plantation (*Perkebunan Inti Rakyat* or PIR) is a cooperative production and distribution between small farmers and companies to increase plantation productivity and farmers' welfare. This model was designed as a solution to overcome the problems that entangle small farmers. Low productivity, limited capital, low technology, and market access are the reasons for the implementation of the PIR program. Large companies are encouraged to support and foster small farmers to be able to increase productivity. Harmonious and mutually beneficial reciprocity is assumed from this model.

The spirit of the PIR model is not much different from the green revolution; that is to increase agricultural yields by relying on the supply and use of production facilities such as seeds, fertilizers, and insecticides resulting

from technology and scientific knowledge. PIR model production organizations are offered to ensure better distribution of benefits for all farmers, both rich and poor [1][2]. The production organization that links farmers with large companies is an improvement from the green revolution which is suspected to be accessible only to middle class and rich farmers.

Many studies show that the PIR model that had been developed since the 1970s, and other model variants that were developed later, did not match the original expectations. [3][4][5][6][1] showed that the production organization of contract farming models makes planters dependent and subordinated. This short paper tries to review the production process of the PIR model to see the dynamics of power of planters. Although the structure of PIR model makes the planters subordinated, yet it occurs in dynamic social processes.

In actor's perspective, someone is supposed to have goals to achieve [7]. Planters as actors will set goals and utilize network resources needed to achieve goals and maximize results. Following Popkin's thinking, planters are rational people whose actions are directed at maximizing benefits that can be obtained [7][8].

In the structure of the planters' organization, the whole set of planters' actions to achieve their goals and interests can be placed in negotiations, not resistance. In this respect, planters efforts are directed to improve their position in the economy of plantation commodity, that is, to be better or more profitable [9] [10].

II. RESULT AND DISCUSSION

The PIR model was conceived in the 1970s as a manifestation of the plantation sector modernization policy, with the aim of increasing export of commodities and plantation industries in the era of development or the New Order period. State and private companies are

encouraged to become core companies or plasma planters. This program is funded by the government, which is sourced from the Asian Development Bank loans.

Plantation organizations in the PIR model clearly show structures that are biased towards the interests of large companies. This has also been narrated by many studies since the 1990s. Power inequality can be seen from a hierarchical organizational structure, where the company is in the top position with full authority to carry out planning, implementation, and control of the production process. Conversely, planters as targets, built objects, or production supporters. Planters are included in the organization of production of PIR models that do not allow them to access resources optimally.

This study looks at micro dynamic social processes in one production cycle of the PIR model in East Kalimantan. It was found that there was a change in the power relations of companies and planters based on the mastery of production resources. This can be seen in the transition from the stages of plantation construction to the stages of oil palm plantation conversion, as follows.

1) Stage of plantation construction: planters as labor. This is the stage to build oil palm plantations, starting from land preparation, planting, and maintenance of plants, to fruiting plants that take around 3 or 4 years. At this stage, the company controls almost all resources, namely capital, land, and labor. The capital used to build smallholdings is nothing but credit provided by the government to smallholders, where the planters are obliged to return the credit when the plantation has yield. But the power to manage capital originating from credit is on the company side. Likewise with land resources. The land planted with oil palm is land that is given to plasma farmers. The company hid information and made the mechanism in such a way that plasma planters did not know and could not access their respective plantation plots until the plants were in production. The vast expanse of smallholdings is managed collectively (together) under the control of companies without planters knowing their plantation plots. Similarly, the workforce is controlled by the company. Wage workers who work in the plasma are plasma farmers themselves. Farmers who are not willing to work as laborers will be dropped from their participation in the PIR model. At this stage, plasma planters become land preparation workers such as clearing forests, clearing land from bushes and tree roots, or planting oil palm, fertilizing, or cleaning dishes.

The lack of access and control of production resources as mentioned above indicates the weakness and powerlessness of planters. Planters have no control over capital, land, and also their own workforce. The consequence of the resource structure such as this is that planters do not get the benefits of the PIR model optimally. At this stage, there are almost no opportunities

for small planters to negotiate positions and the portion of benefits obtained to be better.

2) Stage of plantation conversion: planters as plantation owners. The stage of plantation conversion is the stage of submitting responsibility for managing and maintaining the plantation to the planters. This submission is carried out when the plantation has begun production. There was a change in production relations at this stage, where the position of plasma planters turned to being plantation owners. Previously, planters only worked as laborers, while at this stage the planters had accessed and controlled their own plantation plots.

This change is important in relation to planters' control over the production process. Planters have been freed from the company's control in production activities. Planters determine their own production targets to be achieved, determine the outpouring of labor, capital and production inputs according to their desires and abilities. Planters can take advantage of this condition to make efficiency and minimize production costs, for example by devoting family labor.

In addition, planters feel free from the obligations and rules as company workers. They no longer experience and complain of tight working hours, demands to pursue high work targets, complicated wage systems, strong oversight of foremen complete with sanctions and fines if violating work rules. When becoming workers or laborers, planters feel bound and depressed by the conditions and strict working procedures of modern companies.

Planters' control over the production process makes some planters able to improve the economy, even though some planters do not. In oil palm commercial plantations, the capitalization process, especially fertilizer input, will determine the amount of production. Therefore, wealthy planters who have large capital are better able to provide production inputs and maximize yields, so they have a greater chance of accumulating capital.

The planters who succeeded in increasing their wealth and capital then developed a business to become oil palm middlemen. These middlemen cut palm oil distribution lines from planters to companies for personal gain. The practice of selling palm fruit through middlemen is carried out clandestinely, so as not to be sanctioned by companies supported by the authorities. Following the PIR scheme, plasma planters are obliged to sell their palm fruit to the core company, as a consequence of their status as company-assisted smallholders. This distribution mechanism binds planters until the planter's credit is paid off, even the oil palm plants stop producing. This is exacerbated by the existence of a monopsony-monopoly system, where the palm fruit processing plant is only owned by the core company. In 1980-1990, there were no private palm oil factories like in East Kalimantan like today.

In a closed market system, where there is no competition for buyers of palm fruit, the position of oil palm growers is weak. Oil palm planters have no other choice to sell their palm fruit. The bargaining position of the company is far higher than that of smallholders, in the distribution relation. The company can take maximum advantage in the monopsony-monopoly system, especially the character of palm fruit that does not last long. Palm fruit must be processed quickly before the quality decreases. Palm oil prices and arbitrary oil palm fruit sortation are experienced by planters.

The condition of dependence on the unfavorable distribution process is dealt with, one of which is by selling to middlemen. The company did not have the power to get rid of the middleman who made the dependence of the planters on the company to turn to middlemen in the sale of oil palm. The sale of oil palm through middlemen is a new mechanism to negotiate the position of disadvantaged planters, because of the price and sorting games. According to the planters, the presence of middlemen is considered more profitable than selling fruit to the company, because the payment system by middlemen is cash, and is free from corporate pressure.

Why is the core company unable to force plasma planters to sell their oil palm to the company? The relationship between companies and planters is the relationship between buyers and sellers of palm fruit, no longer the relationship between capital owners and workers as in the initial stages of the PIR model. In this relation, it is the company that needs planters, which requires the supply of fruit from the planters for the smooth supply of new factory materials. Here, companies can no longer suppress planters as when they are workers. The company's power over planters is no longer strong, because the company has no control over plantation resources and production processes.

III. CONCLUSION

This study confirms that the social process of plantation production in the PIR model is dynamic. There is a shift in the relations of production, the position of planters' shifts from workers to owners. Planters' control of plantation and the production process allows planters to compete to increase profits and accumulate capital. Some planters managed to increase capital and change the mechanism of distribution of oil palm which did not benefit planters. Brokers appear, which to a certain extent changes the position of dependence and reduces pressure from

companies related to the sale of palm fruit. The recommendation that can be given from this study is that the partiality to plasma smallholders must be initiated by giving control over land/plantation to the farmers. Plantations are the main resource for planters.

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