

Oil Palm Expansion: Social Implications And Economic Growth Of Oil Palm Farmers Households

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ABSTRACT: This article aims to examine the implications of oil palm expansion on social dynamics and economic growth among oil palm farming households. The continuous increase in land area and production volume of oil palm has economically provided new opportunities for farming households. However, this growth is accompanied by complex social and economic dynamics at the local level that warrant critical analysis. The study adopts a mixed-methods approach, integrating both qualitative and quantitative methods. Data were collected through in-depth interviews, direct observations, structured questionnaires administered to oil palm farming households, and document analysis. The research was conducted in plantation areas of West Sumatra. Qualitative data were analyzed using the Miles and Huberman framework, while simple descriptive statistics were employed for quantitative data analysis. The findings reveal that the social implications of oil palm expansion include changes in household labor patterns, shifts in lifestyle and consumption behavior, and the emergence of gender inequality within farming households. On the economic side, oil palm expansion has positively contributed to household income, improved living standards, increased access to formal financial institutions, and greater dependency on market forces.

KEYWORDS: Economy, Implications, Social.

INTRODUCTION

Oil palm is one of Indonesia's leading export commodities, contributing significantly to national foreign exchange earnings, with an export volume reaching 38.23 million tons in 2023. Compared to the previous year, the trade balance recorded an increase of 4.68% [1]. This rise in export volume has been accompanied by an increase in fresh fruit bunch (FFB) production, driven by land expansion efforts carried out by private plantation estates (PBS), state-owned plantations (PBN), and smallholder plantations (PR). In 2024, the total oil palm plantation area in Indonesia is estimated to have increased, with private estates expanding by 215,605 ha, state-owned estates by 17,801 ha, and smallholder plantations by 94,676 hectares, bringing the total estimated plantation area to 16,833,985 ha [2]. In terms of production, oil palm output in Indonesia has also increased over the past three years. Preliminary data indicates that palm oil production reached 46,986,128 tons in 2023, with an estimated increase of 708,512 tons. The major production regions in Indonesia are located in Sumatra and Kalimantan [2].

Oil palm plantations are spread across several provinces on the island of Sumatra, one of which is West Sumatra Province. In 2024, the oil palm plantation area in West Sumatra is estimated to cover 555,076 ha, with a production volume of approximately 1,443,002 tons. The increase in production in West Sumatra is attributed to the expansion of plantation land carried out by smallholder farmers, the government, and private entities. The expansion of oil palm plantations has had significant impacts on the population of Indonesia. This expansion often results in the displacement of land and natural resources, substantial alterations to local vegetation and ecosystems, large-scale capital investment and new infrastructure development, as well as the relocation of populations and settlements [3].

From an economic perspective, the growth of the oil palm agricultural sector at the macro level contributes significantly to the national GDP. However, at the micro level, it has a considerable impact on the household economies of oil palm farmers. Farming households that invest in oil palm cultivation directly support and enhance their household income [4]. A market-oriented production system further drives income growth. This indicates that oil palm is one of Indonesia's key commodities, contributing substantially to exports and national economic growth. Nevertheless, behind its economic contributions lie various social and economic impacts

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that are directly experienced by oil palm farmers. Based on the introduction above, the purpose of this article is to describe the expansion of oil palm plantations in terms of their social implications and their influence on the economic growth of farming households.

RESEARCH METHOD

The research approach used in the study is to use a combination of qualitative and quantitative methods. According to Creswell (2013) [5], qualitative and quantitative data can be combined into one large database that is used side by side to strengthen each other. The data collection techniques used in this study are: (1) Collection of public documents and writings, which aims to find the information needed [5] (2). Observation or observation is paying attention to phenomena in the field through the researcher's five senses and recording for scientific purposes [6] (3). In-depth interviews are unstructured interviews between interviewers and informants that are carried out repeatedly with different questions and classifying previously obtained information (6). Surveys are used to see gender relations in farming households using questionnaires.

Data analysis was conducted using both quantitative and qualitative approaches. According to Miles and Huberman, the qualitative analysis involves three key components that researchers must consider: data reduction, data display, and conclusion drawing. Meanwhile, the quantitative analysis was carried out using simple statistical calculations, including frequency tables and percentages, based on information gathered from questionnaires administered to oil palm farming households.

This research was conducted in West Sumatra Province, as oil palm is the most widely cultivated plantation crop in the region, accounting for 40.8% of all plantation commodities, with a production volume of 699,390.2 thousand tons [7]. Solok Selatan Regency ranks sixth in terms of oil palm plantation area among the 19 regencies and cities in West Sumatra [8]. The sample for this study was drawn from a local village in the Sangir Batang Hari sub-district. This area was selected because it has significant potential for both rubber and oil palm plantations, with a considerable area dedicated to oil palm cultivation. In terms of livelihood, the majority of the population in this area works as farmers, plantation workers, and livestock breeders. Additionally, the local indigenous community in this region still strongly upholds traditional values and local wisdom.

RESULTS AND DISCUSSION

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The increasing global demand for palm oil over the past few decades has driven the expansion of oil palm plantations. This expansion has not only been carried out by private estate plantations (PBS) and state-owned plantations (PBN), but also by smallholder plantations (PR). Such expansion has contributed to or resulted in various sociocultural changes within local communities, including shifts in social structure, changes in employment opportunities, transformations in local lifestyles, and the emergence of gender inequality

HANGES IN EMPLOYMENT OPPORTUNITIES

The expansion of oil palm plantations, driven by both large companies and smallholder farmers, has not only impacted the economy but also significantly altered employment structures, particularly in rural areas. According to BPS (2023) [9], the oil palm industry employs more than 16 million people, both directly and indirectly, across Indonesia. Such changes in employment structure have also been observed in the study area. The shift from rubber to oil palm cultivation has transformed the labor patterns within farming households. This transition has opened new employment opportunities for former rubber farmers who have moved into oil palm cultivation. In the past, rubber farming often involved women—typically the wives of farmers who participated in tapping rubber. However, with the shift to oil palm, women are increasingly entering the formal oil palm industry, working for plantation companies. This change is largely due to the reduced need for female labor in managing oil palm plantations, contrasting sharply with the more labor-intensive and family-involved nature of rubber cultivation.

Based on field findings, women's participation in oil palm plantation companies is highly prominent in the study area, with an estimated involvement of over 50%, particularly among housewives. This trend is driven by the differing labor systems between rubber and oil palm plantations, which provide households with more free time. To utilize this available time, many women have entered the oil palm sector as laborers. This indicates that oil palm expansion has created broad employment opportunities, especially in plantation areas where management is well-structured. Furthermore, the palm oil industry can serve as a key driver of local economic growth while simultaneously strengthening the economic resilience of farming households and laborers. Employment opportunities, or the availability of labor market activities within a given economy, allow individuals to participate in productive work and earn a livelihood [10]. Additionally, the increase in household income among oil palm farmers has opened opportunities for women to engage in non-farm businesses such as trading. Therefore, the presence of oil palm plantations has introduced new employment opportunities for rural women, enabling them to enter the public sector with the aim of contributing to household income, making productive use of their time, and taking advantage of entrepreneurial opportunities emerging within communities as a result of the expansion.

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CHANGES IN LOCAL LIFESTYLE

The expansion of oil palm plantations has had a profound impact on rural communities, not only in terms of economic and environmental aspects but also in social aspects particularly in transforming the lifestyles of local populations. According to Schiffman & Kanuk (2007) [11], lifestyle refers to the way individuals live and spend their time and money, reflecting their values and personalities. The change in rural lifestyles can be seen as a social implication of oil palm expansion, particularly through:

Shifts in Livelihoods: The presence of oil palm has significantly altered how communities utilize land to generate income. Prior to the introduction of oil palm, rural communities largely worked as rubber, areca nut, rice, and horticultural crop farmers. However, the emergence of oil palm driven by strong demand and high market prices has transformed these livelihood patterns. Many have abandoned rice and horticultural crops, reduced rubber cultivation, and replaced them with oil palm plantations. This shift is largely attributed to the higher and more stable economic value of oil palm, which is seen as offering better long-term prospects and being less dependent on seasonal cycles. As a result, communities are increasingly transitioning from traditional agrarian livelihoods toward a market-oriented economic system.

Social Relationship Patterns; The expansion of oil palm has brought changes not only to plantation crops but also to the pattern of social relationships within farming households, particularly in agricultural labor systems. In the previous rubber-based farming system, household members, especially wives, were actively involved in helping the head of the household tap rubber in the early morning hours. This cooperation represented a collective work pattern within the family. However, with the transition to oil palm cultivation, women are no longer involved by farmers in plantation work. Harvesting activities are no longer carried out collectively; instead, they have become more individual in nature. Farmers now rely on hired laborers for harvesting fresh fruit bunches (FFB) or do the work themselves without involving their wives. This indicates a shift in intra-household labor relations from a collective to a more individualistic pattern, specifically in terms of labor division within oil palm farming households. Nevertheless, in broader social terms, the presence of oil palm has strengthened social ties within the community. Solidarity among community members has increased, as evidenced by mutual assistance in social activities, whether material or non-material. The tradition of communal cooperation remains strong in the study area. Social relationship patterns reflect how individuals or groups interact and form social structures within a community. These relationships develop through ongoing social interactions shaped by prevailing norms, values, social statuses, and roles. Thus, from a social standpoint, oil palm expansion has not disrupted community social relations; rather, it has had a positive impact by reinforcing and enhancing social bonds among members of the community.

Lifestyle Changes Lifestyle refers to the way a person lives in the world, expressed through their activities, interests, and opinions [12]. According to Chaney (1996) [13], lifestyle is the manner in which individuals use cultural symbols to construct and express their personal identity. Lifestyle change, then, is the process or action of altering habits, behaviors, and living patterns of an individual or group in pursuit of a better quality of life. Such changes may include dietary habits, physical activity, sleep routines, stress management, use of technology, and social interactions. The expansion of oil palm plantations has also contributed to changes in the lifestyles of oil palm farming households. This is evident in the shift toward more consumer-oriented behaviors, where households tend to engage in excessive consumption driven not by basic needs but by the desire to follow trends, lifestyles, or social image. Field data show that most oil palm farming households own more than two vehicles, with each child typically owning a motorcycle. The vehicles purchased tend to reflect the latest trends. According to interview findings, motorcycles are not actually a pressing necessity for children, but because the household's financial condition allows it, parents do not refuse when their children ask for a vehicle or even a newer model. This behavior is further reinforced by social comparison, as neighboring households also provide motor vehicles for their children.

Changes in lifestyle are also evident in the household items owned by oil palm farming families. Housewives and their children often purchase household appliances, clothing, or other accessories not out of necessity, but rather driven by desire and the urge to follow current trends. These purchases are made for instant gratification rather than actual need. The primary motivation is often social image to showcase that they possess trendy and fashionable items. This indicates that the consumption behavior of oil palm farming households has become increasingly irrational, with a focus on short-term satisfaction and a tendency to prioritize material aspects over the practical utility or functional value of goods and services.

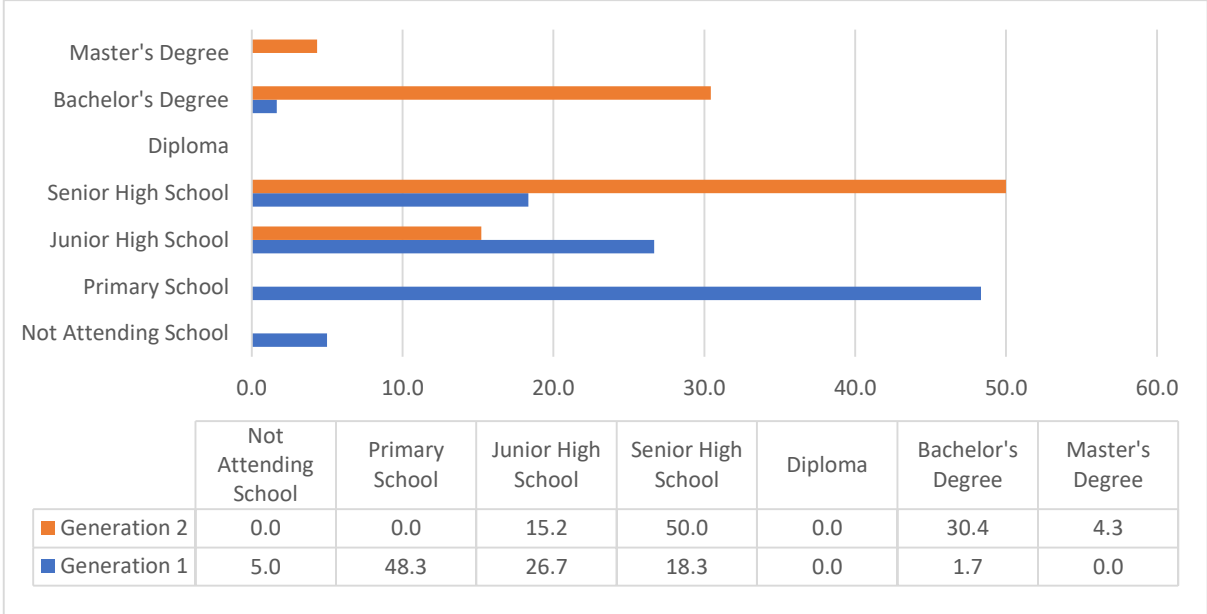
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IMPROVEMENT OF LIVING STANDARDS

BPS (2022) [14], defines living standards as the socio-economic condition of a population, measured through basic welfare indicators such as consumption expenditure, access to education, and asset ownership. According to Todaro, M. P., & Smith, S. C. (2011) [15], living standards encompass not only income but also health, education, and access to services that contribute to overall well-being. The expansion of oil palm plantations has brought positive change to farming households, particularly by improving their standard of living. The cultivation and expansion of oil palm has provided new economic opportunities and financial benefits. As noted by Bragança (2018) [16], large-scale and mechanized agricultural expansion has the potential to drive economic development, increase per capita GDP, and improve access to durable goods and basic infrastructure.

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The expansion of oil palm cultivation by farmers has opened up opportunities for increased household income. A study by Euler et al. (2016) [17], in Sumatra revealed that plasma farmers experienced a significant rise in income compared to non-oil palm farmers. Similarly, findings by Elvawati et al. (2022) [4], indicate that oil palm plantation expansion carried out by farmers has positive implications for household welfare, particularly through increased income levels. Field data show that 78% of household income among oil palm farmers is derived from oil palm commodities, with 65% of respondents stating that oil palm provides strong support for their household economy [4]. Furthermore, over a period of six years, there has been a consistent increase in household income generated from oil palm cultivation. On average, household income from oil palm commodities has grown by approximately 53.1% per year. This growth is largely supported by the expansion of oil palm land undertaken by farming households themselves. In addition to improving household economic conditions, one of the key implications of oil palm expansion for enhancing living standards is increased access to higher education, made possible by the rise in household income among oil palm farming families. Field findings indicate that improved educational attainment among the children of farming households is closely linked to increased family income. According to field data, there has been a 28.7% increase in higher education enrollment among the second generation compared to the first generation (see Figure 1 below):



Source: Processed from primary data, 2024

Figure 1. Education Levels of the First and Second Generation of Oil Palm Farming Households

Based on Figure 1 above, an increase in human resources through formal education institutions can be observed, with 4.3% of children from oil palm farming households having completed a Master’s degree . According to interviews with informants, this is supported by their income, which has steadily increased each year since switching to oil palm cultivation, as well as by more predictable harvest yields, enabling farmers to feel secure about covering their children’s education expenses. On the other hand, the presence of oil palm cultivation has also increased asset ownership among oil palm farming households. Asset ownership refers to possession of economic resources such as land, houses, vehicles, production tools, and savings. Based on the research findings, the presence of oil palm supported by increasing annual production has contributed to the growth of assets owned by farmers. According to Mullan et al. (2017) [18], income from agricultural expansion provides momentum for sustainable asset accumulation. The assets owned by farming households include plasma plantation land, which represents a partnership pattern between core estates and plasma smallholders managed through cooperatives. Plasma farmers receive monthly income from the plasma plantations via the cooperatives. Additionally, apart from plasma plantations, farmers also own independently managed oil palm land, ranging from 1 to 13 ha per household. Regarding housing asset, 93% of farmers already own their own homes, marking an increase of 3.9% compared to the previous year. This indicates that the expansion of oil palm cultivation has improved the living standards of farming households, reflected in increased household income, which in turn positively affects children’s education levels and asset ownership within farming households. Land clearing indirectly increases income, showing a strong positive correlation between land area opened and income, as well as between income and asset. Thus, the benefits of expansion contribute to improved welfare [17].

ACCESS TO FORMAL CREDIT INSTITUTIONS OR BANKING

According to the World Bank (2008) [19], access to formal financial services, including credit, savings, insurance, and payments, is key to reducing poverty and promoting economic growth. Access to formal credit institutions like banks is crucial for the sustainability of oil palm farming households in developing their plantations or starting non-agricultural businesses. The presence

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of oil palm cultivation opens opportunities for farming households to apply for loans from formal institutions, using their oil palm land as collateral. This is supported by the increasing price of palm oil and the high market demand for palm oil commodities in the global market, which drives the selling price of palm oil internationally.

Based on field findings, oil palm farming households with an average land area of 2 hectares or more find it easier to obtain loans from banks using their land as collateral. The loan funds are utilized by these households to start non-agricultural businesses such as trading, opening building material stores, restaurants, or financing the opening of new plantation land. The opportunity for oil palm households to access formal institutional loans has led to a decrease in borrowing from non-formal sources such as moneylenders or family members. On the other hand, access to formal credit institutions opens up opportunities for farming households to diversify their livelihoods. This means that household income sources are not only from farming activities like oil palm plantations but also from non-farm activities such as trading or entrepreneurship. In other words, access to formal financial services is very important in supporting sustainability, strengthening household economies, and improving the welfare of oil palm farmers.

MARKET AND PRICE DEPENDENCY

The plantation subsector contributes significantly to the total value of agricultural exports, accounting for 93.17%. In terms of trade balance, the plantation subsector has consistently experienced a surplus year after year, both in volume and trade value [1]. One of the plantation crops is oil palm, with Indonesia's oil palm production in 2023 estimated at 46.99 million tons in the form of palm oil. Thus, it is evident that market demand for palm oil derivative products continues to increase. However, oil palm farming households remain dependent on the global market. This dependency is greatly influenced by market dynamics, especially prices and demand for the commodity. Oil palm farming households are dependent on the Fresh Fruit Bunch (FFB) prices, the availability of buyers or intermediaries, and the global demand for palm oil.

According to Ellis (1993) [20], market dependency occurs when household livelihoods rely heavily on market-based transactions, making them vulnerable to price and demand volatility. This is experienced by oil palm farming households; if middlemen or buyers of Fresh Fruit Bunches (FFB) are unavailable, the farming households suffer losses because their FFB will spoil. The level of farmers' dependency on the market for oil palm commodities is very high. Based on interview results, before harvesting FFB, oil palm farmers must contact the middlemen to confirm whether there will be a purchase and weighing of FFB on the harvest day. This is because if there is no buyer, the FFB that farmers have already harvested will spoil and rot, causing the price to drop or making it impossible to sell. Therefore, in the research area, the dependency level between middlemen and farmers is very high. This situation is also driven by the fact that small-scale farmers do not have direct access to Palm Oil Mills (PKS) or cooperatives, so the only distribution channel available is through the middlemen. This results in a loss of bargaining power for farmers in determining prices.

CONCLUSION

The expansion of oil palm plantations has had a significant impact on the social and economic aspects of rural farming households. On the social side, this expansion has brought notable changes to employment structures, patterns of social relations, and rural lifestyles. In terms of employment, there has been a shift, particularly marked by the increasing involvement of women in the public sector, both as plantation workers and as participants in non-agricultural enterprises. This reflects a shift in gender roles and the growing economic contribution of women within oil palm farming households. In terms of household lifestyle, a transformation has occurred from traditional agriculture-based livelihoods to a more consumer-oriented society integrated into the market economy. With regard to lifestyle, there has been a noticeable change characterized by increased purchasing power.

On the economic side, oil palm expansion has proven to significantly boost household incomes, leading directly to improvements in living standards, access to education, and ownership of productive assets. Furthermore, easier access to formal financial institutions has opened greater opportunities for farmers to diversify income sources and strengthen family economic resilience. However, this expansion has also led to a high dependency on global market dynamics, particularly the prices and demand for oil palm.

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