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Independent Oil Palm Smallholder's Challenges in Malaysia

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Abstract

This study discusses the challenge and strength of independent oil palm smallholder in Malaysia. The ability to become independent farmers is a good way to increase household income. Even so there are various challenges that need to be addressed before giving good results. Sometimes it succeeds, but the initial failure of something is certain. These farmers' capabilities are explored through the experience of 30 palm oil farmers in Malacca. This study uses the convenient sampling research paradigm that focuses on understanding and narrations of the Independent smallholders' in the District of Merlimau, Malacca on how their experienced were resulted. The sample was selected using the non-probability sampling that is the purposive sampling and the snowball sampling. A total of 190 informants were selected in this study to be interviewed in-depth and with questionnaires as major instrument. Quantitative Method used in this study with descriptive statistics. The study found that the role of MPOB consists of information sharing on oil palm cultivation, providing assistance with seeds. The type of challenge and strength that has been built consists of the individual financial and marketing of the oil palm products. In conclusion, MPOB is only instrumental as an agent in the Independent oil palm smallholder's community along with the knowledge and guarantee quality of seeds. There is still a lot of effort needed to reach the group in empowering life through the cultivation of oil palm.

Keywords: *Analysis, Independent Farmers, Enhancing, Social Landscape, Oil Palm Smallholders*

Introduction

The Malaysian agricultural sector has grown since Malaysia achieved independence 55 years ago (Bank Negara Malaysia 2000). Oil palm is the leading oil crops in the world. It provides more than a quarter of global oil consumption. Oil palm accounts for approximately 60% of the global oil trade (World Bank Development Report 2010). Oil palm commercialization lead to large tracks of rubber lands cleared to make way for palms and this trend has continued for over three decades (Sekhar 2015; Abazue et al. 2015; Awang 2016).

From 55,000 hectares in the 1960s, Malaysia today has more than 5.08 million hectares of planted areas spread across the country with west Malaysia accounting for 55% of the total (MPOB 2014). The agricultural sector in Malaysia is divided into two components, the plantation sector and the smallholding sector that are differentiated according to the size of agricultural management. The smallholder sector contains smallholders producing traditional items such as paddy, coconut, rubber and oil palm (MPOB 2014). Initially, oil palm cultivation in Malaysia has attracted government agencies such as FELDA, FELCRA, RISDA and smallholders to work on it. Smallholders of oil palm are divided into two groups namely smallholders under government schemes such as FELDA and independent smallholders (MPOB 2014; Siwar & Hasan 1985; Zaimah et al. 2017; Zaimah et al. 2017).

The Malaysian Government through the Malaysian Palm Oil Board (MPOB) is very concerned with the welfare of oil palm smallholders specially to increase productivity and income of smallholders. As early as in 1990s when the surge in the planted area began, Malaysian government started to put in place laws to preserve the environment - including the Protection of Wildlife Act 1972 (Malaysia 2015).

Background of Malaysian oil palm smallholders in Peninsular Malaysia

Currently, the palm oil market is the highest contributor to the world economy. Palm oil is used for the production of various types of daily consumer goods and also used to make soap and research materials for biofuels, biodiesel, biogas and oleo chemical industries (Abdullah 1991). As a brief, smallholder generally defined as having than 40-hectare land (Table 1), with holders of land title/ customary rights. It can be categorized into two main categories (Abdullah 12991; Malaysia 2015). Organized smallholders – Growers who cultivate oil palm with the support of either government or any organization that provides technical assistance, agriculture inputs or financing (FELDA, FELCRA, RISDA etc.). Independent smallholders – Growers who cultivate oil palm without direct assistance from the government or any private organization (Yew et al. 2016).

Table 1: Total planted area of oil palm in Malaysia, 2012-2014

Category	2012		2013		2014	
	Area (ha)	%	Area (ha)	%	Area (ha)	%
Organized smallholders	1,258,251	24.7	1,255,138	24.0	1,240,214	23.0
Independent smallholders	691,688	13.6	732,136	14.0	808,835	15.0
Total smallholders	1,949,939	38.4	1,987,301	38.0	2,049,049	38.0
Private estates	3,126,990	61.6	3,242,438	62.0	3,343,186	62.0
TOTAL	5,076,929	100	5,229,739	100	5,392,235	100

Source: Malaysia 2005.

Description of Malaysian Oil Palm Board (MPOB)

Malaysian Palm Oil Board (MPOB) is a key government agency responsible for providing services in the national oil palm industry. The key role played by MPOB is to promote and develop national objectives, policies and priorities for the wellbeing of the Malaysian palm oil industry. Malaysian Palm Oil Board (MPOB) was incorporated under an Act of Parliament (Act 582) and established on May 1, 2000, acquired through the merger of the Palm Oil Research Institute of Malaysia (PORIM) with the Palm Oil Registration and Licensing Authority (PORLA) which initially, PORIM was established in 1979 under the Ministry of Primary Industries Malaysia to design and conduct research related to oil palm (Malaysia 2015; MPOB 2011; MPOB 2012; Lyndon et al. 2015; Begum et al. 2015; Rosniza Aznie et al. 2016).

Research Methodology

A total of 190 independent smallholder's community of Merlimau were selected for the in-depth interviews and questionnaires technics. The three villages have been chosen because they have the most number of part-time smallholders compared to other villages. These informants are the recipient of MPOB assistance programs and are working part time on their oil palm plantations. The questions guideline was constructed to assist the interviews so that it will not deviate from achieving the study objectives. The non-probability sampling technique consists of sampling has been chosen. The sample size is achieved through the continued support of the measure or criterion of the data saturation. Data were collected through the in-depth interviews and focus group discussions with informants during a period of six months by focusing on the forms of assistance provided or distributed by MPOB and the types of resulted empowerment when they act as the participants in programs organized by MPOB in the form of material or non-material.

Results and Discussion

The sustainability of global palm oil supply chains depends on being able to determine who is producing the palm oil, where they are cultivating it and how it is being cultivated. Independent farmers cultivate oil palm mostly without support from the government or companies, which affects the quality and quantity of the fresh fruit bunches they produce. Ensuring that independent, small-scale oil palm farmers are cultivating oil palm sustainably and productively is an integral step to in reducing the environmental harm caused by oil palm cultivation (Begum et al. 2015; Rosniza Aznie et al. 2016; INOBU 2016; Othman and Abu Bakar 1991).

Respondents' information on oil palm farming

The informant on the respondents' oil palm farming. Most of the respondent planted their oil palm in 2013 (36.32%), 2014 (27.37%) and 2015 (24.74%). Generally, the respondents had planted their oil palm under the Smallholders' Oil Palm Replanting Scheme (TSSPK) or the new Oil Palm Planting Scheme for Smallholders (TBSPK), each accounting for 60.52% and 39.48% respectively. More than half of the respondents had a planted area of less or equal to 2 ha (51.58%), while the other respondents had areas of 3-4 ha (33.68%) each, and only 17.74% had a planted area exceeding 4 ha. Most of the respondents' palms were less than or equal to three years of age (60.53%). Oil palm aged three years and below are suitable for implementation of crop integration in oil palm.

Table 2: Information on oil palm cultivated by the respondents

	Frequency	Percentage (%)
Started Planting Oil Palm		
1990-2000	3	1.58
2001-2010	5	2.63
2011	8	4.21
2012	6	3.15
2013	69	36.32
2014	52	27.37
2015	47	24.74
Oil palm Planted Area (ha)		
≤ 2	98	51.58
3-4	64	33.68
≥ 4	28	17.74
Oil Palm Age (year)		
≤ 3	115	60.53
≥ 4	75	39.47

Characteristics of independent stallholder's farming

Generally, the selected respondents are comprised of Malay oil palm smallholders who own private oil palm plantations. They have been cultivating palm oil either in the main activities or by part time by their own capital capabilities. The total number of independent smallholder populations in the area was 250 persons, while the sample size was 190 respondents as an initial assessment for field study purposes in Peninsular Malaysia in the next study. The majority of respondents consist of age groups ranging from 41 to 65 years old. This trend caused by the working groups which at least 3 years in the industry. They may not have physical strength, but have strong financial resources.

Establishment

Oil palm plantations have given considerable returns to oil palm smallholders in the study area. Most respondents are said to earn a monthly income of over RM3,000.00 for each harvest cycle (71%) and the rest estimates up to RM2,000.00. The oil palm plantations undertaken by the respondents are driven by various factors such as encouragement from the government, past crops that do not produce lucrative income, family heritage, environmental influences and favorable returns. However, for respondents in the study area, the highest percentage (68.9%) is driven by abandoned family heritage land factors. While the government's encouragement factor is the lowest factor (4%).

Maintenance

Most smallholders in the study area (67%) adopt *pawah* or contract systems from independent individuals to manage the farm. They only receive net profits after deducting their maintenance, sales, fertilizer and crop treatment costs. Most smallholders in the study area (79%) adopt *pawah* or contract systems for specific individuals to manage the farm. They only receive net profits after

deducting their maintenance, sales, fertilizer and crop treatment costs. This is due to lack of expertise and most of them (84%) involved in the *pawah* system are government retirees.

Logistics

The duration of oil palm cultivated by smallholders determines their palm oil production. Based on the results of the analysis, the highest percentage for working on oil palm crops is for six to ten years, which is 79.64%. This is because, smallholders in the study area initiate crops within the period after their inherited land.

Point of Sale

Based on the results of the study, the highest percentage for oil palm production was 69 per cent which earned production of 2 to 3 tonnes. Subsequently, for the lowest percentage, oil palm production exceeds 5 tonnes (30%). The success of palm oil smallholders is on their initiative to increase their income and thus improve their standard of living. Normally, oil palm fruits will be harvested twice a month. However, there were also respondents who found that they picked three times a month, at every interval of ten days to avoid overcooking fruit and the fruit became decayed.

Lack of financial support and affordability to get seedlings and fertilizers

The majority of respondents (73%) did not receive any form of assistance from the government or non-government agencies either for seed, fertilizer, insecticides and finance. They are forced to issue large capital for the purpose of exploration, planting and periodic maintenance. While the rest (27%) receive subsidies, it can reduce the cost of crop management that can reach up to RM2,000.00 annually only for festering purposes.

Reliance on the dealers for selling products

The marketing of oil palm fruit in the study area is done through two channels either through the wholesaler or sell it to the factory. About 70% of smallholders sell their produce to palm oilers or known as middlemen. The rest sells their own produce to the nearby factories. However, the yield offered by the wholesaler is lower than the factory price. However, the selection of the middleman is due to the few oil palm productions and even easier to deal with. In addition, licensed transport factors also affect the selection of middlemen for sales purposes.

Vulnerable to highly volatile market price

It cannot be denied that the fall in oil palm prices has affected many smallholders in the study area. Research study showed that 98% of respondents stated that the problems faced by them in oil palm cultivation were the decline in palm oil prices. This is particularly true with the study that explains the main problem in the palm industry is the instability of market prices [17]. The use of adequate fertilizer to increase the productivity of oil palm plantation is very important in the context of oil palm cultivation. Similarly, the importance of chemical poisoning is considered to have a bad impact on the environment. But it is required by smallholder to destroy the grass and bushes that are in their palm plantations. The results showed that as many as 97.5% agreed on the problems they faced due to higher prices of fertilizer inputs and poisons. This increase in the price of fertilizer and poisons

often increases as if pressing them. Smallholders consider the rate of price increase of these chemicals as an extreme so that their expectations of enjoying the revenue derived from oil palm cultivation are no longer meaningful. Changing prices (increase) give the smallholders difficult times to manage their farm.

Weather factor

The weather factor is a difficult factor to predict. This is because it is a natural factor and cannot be prevented by anyone. Based on the results of the survey, 30% of respondents agreed that the problems faced by them in improving palm productivity resulted from weather factors. The weather factors associated with the problem are such as flood events, and droughts that have a significant impact on palm oil crops. However, this dry weather will not have a significant effect on the production of fresh fruit bunches (BTS) in the near future. It will only affect palm oil production if it continues for a long time.

Conclusion and Recommendations

While the development of the palm oil sector faces many challenges and problems, especially the price of high fertilizer and poultry inputs and the stagnation of market prices, but still be able to increase the income of independent smallholders in the study area. This is because the problem can be overcome and resolved with the best techniques and methods in increasing palm oil production. The government policy will help boost the oil palm sector in Malaysia. The rapid expansion of Malaysia's independent smallholder oil palm sector is posing important productivity, sustainability and legality challenges. As a result, the need to better regulate independent oil palm smallholders is increasingly being acknowledged by Malaysian polity. Because the sub-sector is comprised of highly diverse stakeholder groups that face and pose distinct challenges, a targeted and stakeholder-disaggregated approach to sector regulation is required. Efforts to that effect have, however, been frustrated by an inadequate understanding of independent oil palm smallholder characteristics and associated challenges.

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