Role of Oil Palm in Poverty Alleviation

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Outline:

- Introduction
- Overview of Indonesian Oil Palm Plantation
- The economic of Oil Palm Sector
- The Role of Oil Palm in Poverty Alleviation
- Conclusion
Introduction

CPO in the Oils & Fats Market
Oil palm is the most efficient oilseed crop in the world.

Yield and Production Cost of Major Vegetable Oil

10 major oilseed area in 2012

17 major oils & fats: global production in 2012

Source: - Oil World (2009)
World exports, consumptions and prices of vegetable oils

World Export, 2012


World Prices (USD /T), 2012

World Consumption, 2012

Indonesia is the world’s largest producer and exporter of crude palm oil (CPO)

Palm Oil: Exports and Production of Key Countries (Mn T)

Share of Production 2014

Share of Exports 2014

(Source: Index Mundi, 2015)
Overview of Indonesian Oil Palm Plantation
Distribution and Centers of Oil Palm Plantation

24%

65%
Oil Palm Plantation in Total Land

Share of oil palm plantation in total land

65%

24%

48.14%

45.78%

6.08%

Forest  Oil Palm  Others
Area and Production of Oil Palm Plantation

**Total Area (Mil, Ha)**

\[ y = 0.6224x + 7.3525 \]

\[ R^2 = 0.9837 \]

**Share of Area by Category of Producers**

*Source: DG of Estate Crops (2015)*

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**Total Production (Mil, Tonnes CPO)**

\[ y = 1.647x + 19.406 \]

\[ R^2 = 0.9937 \]

**Share of Production by Category of Producers**

*Source: DG of Estate Crops (2015)*
Palm Oil Exports

Total Volume and Value of Palm Oil Export

- **Total Value, FOB (Bil US $)**
- **Total Volume (Mil Tonnes)**


Palm Oil Export by Type of Products

- Crude Palm Oil; 23.50%
- Other Palm Oil; 70.43%
- Other Palm Kernel Oil; 4.43%
- Crude Oil of Palm Kernel; 1.64%

Export by Destination Countries, 2014

- India; 21.3%
- Others; 40.3%
- China; 10.3%
- Pakistan; 7.9%
- Malaysia; 2.5%
- Singapore; 3.4%
- Egypt; 4.4%
- Bangladesh; 4.6%
- Other; 4.6%
The economic of Indonesia Oil Palm Sector
Palm Oil Export is the Biggest Contributor in Total Non Oil&gas Net Exports

Source: Bank of Indonesia in PASPI (2015)
Output and Value Added Growth Rate of Oil Palm Plantations Faster than Other Sectors in Indonesian Economy, 2000-2008

Source: PASPI (2015)
# Oil Palm Plantation Stimulates Other Sectors of Indonesian Economy

<table>
<thead>
<tr>
<th>Linkages</th>
<th>Value</th>
<th>Sectors</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Backward</td>
<td>1,51</td>
<td>Surplus Reinvestment</td>
<td>33,94</td>
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<tr>
<td></td>
<td></td>
<td>Fertilizers, Chemical, Pesticides</td>
<td>18,43</td>
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<tr>
<td></td>
<td></td>
<td>Labor</td>
<td>17,31</td>
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<td></td>
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<td>Financial</td>
<td>9,85</td>
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<td>Oil Palm Seeds</td>
<td>4,64</td>
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<td></td>
<td></td>
<td>Agriculture</td>
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<td></td>
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<td>Building</td>
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<td>Transp, Trade, Rest/Hotel, Comm.,etc</td>
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<td>Other Sectors</td>
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<tr>
<td>Forward</td>
<td>1,42</td>
<td>Cooking oil industry</td>
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<td>Oleochemical industry</td>
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<td></td>
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<td>Food industry</td>
<td>0,31</td>
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<tr>
<td></td>
<td></td>
<td>Oil Palm Plantation</td>
<td>4,64</td>
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<tr>
<td></td>
<td></td>
<td>Others</td>
<td>0,05</td>
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<table>
<thead>
<tr>
<th>Multiplier</th>
<th>Index</th>
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<tbody>
<tr>
<td>Output</td>
<td>1.71</td>
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<tr>
<td>Income</td>
<td>1.79</td>
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<tr>
<td>Employment</td>
<td>2.64</td>
</tr>
<tr>
<td>Value Added</td>
<td>1.59</td>
</tr>
</tbody>
</table>

### Multiplier Indeces of the Oil Palm Plantations

Source: Statistics Indonesia, I-O Table 2008
Labor Absorption in the Oil Palm Plantation

Employment Multiplier:
- for all sectors of the economy = 1,84
- for the oil palm sector = 1,05
(Source: Indonesia I-O Table 2008)

Palm oil development has the potential to increase the absorption of labor in all sectors of the economy,
The Role of Oil Palm in Poverty Alleviation
Comparison of RGDP Oil Palm-based Economy and Non Oil Palm-Based Economy (Mil, IDR)

Source: PASPI (2015)
Effect of CPO Production on RGDP (Cases in 4 major oil palm producer Provinces)

Central Kalimantan

South Sumatera

North Sumatera

Riau

Source: PASPI (2015)
Oil Palm Farmers Earn Higher Income than Non Oil Palm Farmers

Source: PASPI (2015)
Comparison of Oil Palm Household Income and Poverty Line (Million IDR / yr)

Source: PASPI (2015)
Oil Palm Plantation Reduce number of poor people in rural area and improve income distribution

Conclusion
Conclusion

Oil palm plantations play an important role in Indonesian economic development:

1. Source of income through foreign exchange earnings.
2. Contribute highly significant to the growth of output, employment and added value of other economic sectors.
3. Boost economic growth in rural areas through increased employment, improved infrastructure, and create new sources of economic growth.
4. Increase farmers’ income and reduce poverty.
Thank you...

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Success stories

1991

2012
my life improved dramatically

and I have enough money to feed my family

we barely had enough to eat

Everyone feels the benefit of the oil palm plantation

Wource: WWF on Youtube,