



Graduate School of Development Studies

**Accessing Sustainability of 'Sustainable Palm Oil'  
Case Study of PT. Musim Mas, Riau Province,  
Indonesia**

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## **List of Acronyms**

|               |   |
|---------------|---|
| ASA           | Annual Surveillance Assessment  |
| CDM           | Clean Development Mechanism   |
| CSPO          | Certified Sustainable Palm Oil  |
| CSR           | Corporate Social Responsibility   |
| CuC           | Control union Certification   |
| EIA           | Environmental Impact Assessment   |
| FFB           | Fresh Fruit Bunch   |
| FGD           | Focus Group Discussion  |
| HCV           | High Conservation Value   |
| HGU           | Plantation permits to use state land (leasehold)                                  |
| KKPA          | Koperasi Kepimilikan Perkebunan untuk Anggota<br>(Scheme farmer/ contract farmer) |
| PT. Musim Mas | Musim Mas Limited   |
| MNC           | Multinational Company   |
| NGO           | Non Governmental Organization   |
| P&C           | Principle and Criteria  |
| POME          | Palm Oil Mills Effluent   |
| RSPO          | Roundtable on Sustainable Palm Oil  |
| SIA           | Social Impact Assessment  |
| WALHI         | Wahana Lingkungan Hidup (The Branch of Indonesia<br>Friend of the Earth)          |
| WWF           | World Wildlife Fund   |

## **Abstract**

Sustainability is pluralistic concept that has been widely in different meanings depending on the context of the discussion and the audience of the debate. RSPO as the organisation of palm oil business works together with civil society has formulated the Principle and Standard to call for sustainable palm oil production. This paper analyzes the effectiveness of RSPO initiatives over sustainable palm oil through the case study of PT Musim Mas. Despite all the unsustainable practices, some extended impacts which are not covered in the RPSO P&C, the researcher would argue that the implementation of RPSO P&C still have opportunities for companies to rectify their behaviour by altering management practice in the palm oil Industry, especially for the countries which have poor implementation of regulations

## **Relevance to Development Studies**

This paper is relevant to development studies due to its focus on mitigating the negative impacts of palm oil in term or social and environment by formulation Principle and Criteria of sustainable palm oil. It is hoped that the findings of this research might positively influence donors, RSPO, NGOs and Government to work together to pushing more the application of the RSPO P&C for palm oil business. The aim is to positively influence current and future implementation of certification sustainable palm oil in terms of how they should be designed, implemented and thought.

## **Keywords**

[Oil Palm, RSPO, CSPO, contract farmer (KKPA), sustainability, Riau, Indonesia]

# Chapter 1      Introduction

## 1.1 Background

The prospect of expanding demand for palm oil for food and biofuels has triggered increasing large-scale investment of this crop for the last one decade especially in Southeast Asia. It is reported that the development of palm oil in Indonesia has experienced dramatic growth from 1997 – 2007. It was doubled from 2.9 million hectares to 6.3 million hectares respectively followed by significant smallholder participation and creation of an estimated 1.7 to 3 million jobs (Deininger 2011: 221). The development of palm oil is strongly related to the political and economic situation, which is forced by two categories; one category with a strong North agenda is linked to fuel security, high oil prices and environmental concerns, the second category with the ostensibly Southern agenda as key actors sees biofuel as a key means to promoting rural development (Clancy 2008: 417). For developing countries which are notably as the producer, palm oil development palm oil is celebrated as the new potential development to enter the export market, job opportunities, rural livelihood development and national income generation.

However, palm oil development is highly contested. Despite promoting added value of palm oil for energy security, development and mitigating climate change, palm oil development also contributes negative impacts. Clancy argues that palm oil development has responded to ‘increasing food prices’ as the crop has displaced food crops which resulted into reduced food availability (2008: 417). In addition White and Dasgupta claims (2010:593) that development of agro-fuels has dismissed the environmental and pro-poor development and stimulated the new forms of corporate land grabbing and expropriation and of incorporation of smallholders in contracted production. Moreover, the expansion of palm puts pressure on ecological integrity in tropical forests (degradation and biodiversity loss) and further wrest control of resources from subsistence farmers and indigenous people ultimately causing land conflicts in the locality area (Dauvergne and Neville 2010:632).

These negative impacts of palm oil production have led to the broadening of the anti palm oil group and a reframing of critique and alternatives (Pye 2010: 862). Friend of the Earth is attracting global attention by bringing the issue of extinction of Orangutan through Ape Alliance as reported in ‘The oil for ape scandal’ (Friend of the Earth et al. 2005). On the other hand, Greenpeace harshly criticizes palm oil as reported in ‘How palm oil industry cooking the climate’ (Greenpeace 2008). In addition, the national movement is also occurring in Indonesia like SPKS-Serikat Petani Kelapa Sawit (Association of palm oil farmers) demand a stop to any intended further expansion of palm oil plantation. This intensive campaign is attacking companies reputations and public trust over the production and this cannot be simply ignored, large international companies and owners of top-level brands are particularly vulnerable to criticism and often become target group in palm oil campaigning program (Nikoluyuk et al.2010:61)

Responding to such negative claims, Roundtable Sustainable Palm Oil (RSPO), as the solely international multistakeholders organization of palm oil businesses corporate with civil society to agree upon the standard of sustainable palm oil.. The promotion of sustainable palm oil is also parallel with the mandatory requirements of the EU market to purchase only certified sustainable palm oil.

Since its formation in 2003, some achievements have been accomplished by RSPO, such as developing a model for sustainable agriculture in terms of economic performance as well as social and environmental responsibility through the formulation of 8 criteria and 39 principles for sustainable palm oil in November 2005<sup>1</sup>. More palm oil sectors are interested in committing to achieve the target of sustainable palm oil which is signed by increasing membership of RSPO to 520 members from more than 25 countries and represent a third of palm oil development (Nikoloyuk et al. 2010). Until recently, the volume of Certified Sustainable Palm Oil (CSPO) was reported to double from 1.5 million tons in 2009 to 3.5 million tons in 2010, produced by 22 growers in four countries, of this volume 56% from the volume has been sold from 2009(RSPO Newsletter 2011). Based on great changes of RSPO, Nikoloyuk et al (2010:70) confirms that RSPO is nearly successful in addressing sustainability issues compared to other partnered government initiatives, such as FSC (Forest Stewardship Council) which rely on demand side and are unable to represent producer participation.

Despite the long list of achievements of the RSPO in promoting sustainable palm oil and increasing palm oil company awarded palm oil certification, prominent questions are rising around the effectiveness of RSPO standards to respond to rampant issues caused by palm oil expansion. The researcher argues that there are contested issues in the implementation of RSPO certification in practice. Firstly, development of palm oil is 'sustainable' which means is continuing producing. The initiative of sustainable palm oil does not give any blanket ban to stop expansion. So, this initiative is increasingly adopted just to scale up the reputation of palm oil the companies in the market through attaching sustainable palm oil labels on the products. Secondly, the field research found that there is a gap between the company claims over the compliance of the RSPO certification, there is some misleading information delivered to the auditors. This is because there is no verification from other parties in process assessment, the roles of the government and civil society are missing in this process. Thirdly, there is no public information when the certification assessment report is published in the website, the failure of key stakeholders to read the report makes the process certification run smoothly without any significant constraints, and the complaints are not responded to when the company has been awarded the certification.

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<sup>1</sup> See appendix 1 see RSPO P&C

## 1.2 Problem statement

Despite the claims of RSPO to serve as a model for sustainable palm oil standards and its progressive achievements to create standard of sustainable palm oil through certification, the pros and cons regarding how effective this voluntary market mechanism still remain. The question on what RSPO means by ‘sustainability’ becomes the major issue of discussion in this paper. In order to answer this question, it is necessary to investigate the implementation of certification standard in practice to the company awarded CSPO; hence we can understand how this model developed in practice to contribute to economic, social and environmental amelioration.

There are not many studies that have been done to scrutinize the implementation of RSPO models in practice. Many studies emphasize more on the compliance of members to the RSPO and the efficiency of partnered private governments (Nikoluyuk et al. 2010, Schouten and Glasbergen 2011). Nevertheless, the field implementation may contribute significant impact to the achievement of RSPO models to reform the palm oil industry. The results of how effective the sustainable palm oil standards are and what kind of changes have been made after certification remains unclear. This paper tries to analyze the implementation of RSPO in practice and puts on the table what is meant by sustainable palm oil from various perspectives, such as from the companies, local people and NGOs combined with data investigation in the field.

## 1.3 Research Objectives

This paper aims to contribute to a better understanding of the RSPO process of certification in practice. The following objectives are formulated:

1. To examine roles and contributions of RSPO certification as a conservation tool to respond to environmental and social issues caused by rampant expansion of palm oil in Indonesia.
2. To investigate the implementation of the Principles and Criteria (P&C) of the RSPO certification in practice.
3. To analyze the opportunities and challenges from the RSPO certification model both from company and rural communities' perspectives.

## 1.4 Main Research Question

*Can sustainable palm oil production be (un) sustainable? And*

*To what extent has the RSPO initiatives effectively promoted sustainable palm oil production which is economically viable, environmentally appropriate and socially responsible?*

## 1.5 Hypotheses

1. RSPO C&P has been a mainstream of sustainable palm oil industry which is accepted worldwide, in practice it is only scaling up the interest of businesses to be “fair palm oil” rather than address the root social and environmental problems related to large-scale mono-crop palm oil production.

2. The interest of smallholder farmers as one of the commodity chain in palm oil production is not represented in the RSPO initiatives, so it does not give any favourable conditions for them with or without a certification scheme.

## 1.6 Research Methodology

In order to examine the implementation of RSPO certification in practice, this paper consists of a case study that was conducted using descriptive qualitative methods. The advantage of using a case study gives certain substantive subfields than others (Harvey and Brecher 2002). The background about the information of case studies can be seen in the subsection below. This section describes how the study was conducted and the possible shortcoming also being discussed here.

### 1.6.1 Research study area

Until recently, 31 growers and millers have been awarded certification under the RSPO and 12 of them are from Indonesia ([www.rspo.org](http://www.rspo.org)). The study has purposely selected PT. Musim Mas (here after PT. MM) as the subject of the case study because of several reasons. Firstly, this company was the first palm oil company in Indonesia to be awarded RSPO certification in January 2009. Secondly, during the year 2009 to 2011, there may have been some effects realised by both the company and the local people living in and around the plantation area. This study aimed to find out what changes PT. MM made after getting RSPO certification and to examine specific agro industry problems in the implementation of sustainable palm oil from different perspectives.

PT. MM is located in Pelalawan District, Riau Province, Indonesia. PT MM is surrounded by eight villages. Among those villages, researcher chose two case study areas, namely Tambun hamlet and Talau village, due to some condition that is taken considerably. Firstly, both these villages are located in the heart of the plantations and mills of PT. MM. The difference is that Tambun area is not enclave from of the leaseholds of PT. MM, while Talau is not part of PT MM's leasehold. Secondly, colleagues from Walhi Riau (the Riau branch of Indonesian friend of the Earth) facilitated the possibility of doing research in Tambun village with one contact person. To avoid the misperception from the local people about my presence in the village, a person from Walhi Riau introduced me as a candidate masters student conducting research about palm oil. Thirdly, based on the complaint letter sent to the President of RPSO, these two areas still have a long history of conflict with PT. MM regarding to their unfair practices of PT. MM<sup>2</sup>. However it is not very active. The detailed condition of these two research areas will be explained in Chapter 3.

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<sup>2</sup> See complaint letters in appendix 2

## **1.6.2 Source of data**

This study used primary data and secondary data. Primary data was gathered through field visits to the research area. The method used was interviews, observation and Focus Group Discussion (FGD).

### **1.6.2.1 Interview**

Researcher used informal semi-structured interviews which were conducted mainly as the initial phase of the study; these methods provided an opportunity to gain information on the way different actors speak comfortably about the issue. In the village, informal interview were using local language and the question has been designed into a topic list.

The list of questions was refined and adapted according to different respondents. Since researcher had no idea who should be met and interviewed, this study was treated was a snowball interview. The first key informant was the head of household in Tambun village. From his reference, the target interview moved to the member of contract farme (KKPA) and then to a person who worked in the KKPA management as cooperative manager. He ultimately gave me access to cross over the neighbouring village of Talau village.

The topic of interview was different from person to person and which area they are involved. Apart from their perspectives about PT. MM' performance, the topic of interview developed further to customary rights, economic livelihoods, environmental and social life in the village. For members of KKPA, the specific question about KKPA scheme, the reasons they engage in KKPA, the opportunities and challenges, and the situation before and after KKPA was awarded certification. The same methods and topic questions were also same implemented in the Talau village.

Informal and semi-structured interviews were also conducted with PT. MM, represented by its head of public relations for plantations, who explained about the process of RSPO certification. Some interviews were also conducted to conservational NGOs based in Riau who have different perspective toward RSPO initiative. Sceptical views about RSPO were represented by Walhi and Perkumpulan Elang Riau. Meanwhile WWF and Scale Up, both as member of RSPO, believe that RSPO initiatives bring significant positive changes on company's performance.

### **1.6.2.2 Focus Group Discussion**

During the field study, the researcher found difficulties to interview villagers both Tambun and Talau villages; because during the day time, the two villages were completely empty. Only women and children were there while most of the men were in the plantation working till the sun goes down. At night, they prefer not to receive any guest. Instead, they want to spend time with their

family until 9 pm. After this time, there are usually no more activities since diesel generators are turned off<sup>3</sup>. At the same time, Walhi had a program on participation mapping in that area. I used this opportunity effectively to conduct FGD after mapping meeting finished. The aim of FGD was to collect villagers in one place and get the dominant ideas about my research topics.

In order to avoid repeating questions, FGD topics were developed more on the prior and the after condition of the incoming of palm oil Company, the economic livelihood impact, environmental impact and the social mitigation of conflict, as well as the understanding of villagers about RSPO certification. As for Talau village, I could not be conducting FGD because of technical problems. Instead, I conducted personal interviews with the head of the village, and independent and contract farmers.

#### **1.6.2.3 Observation**

In order to find the gap between the company claims and technical practice in the field, I used covert observation method. This is because the company did not allow me to see the condition of plantation and mills. Assisted by a local guide, observation was conducted and took several snapshots. It was quite risky regarding to security issue. So, some moments remained uncaptured in the photographs and those observed may not have been sufficient to justify the field condition.

The benefit of using observation method was that I got the chance to talk to daily workers in PT. MM plantation. The interviews were conducted as informal conversation about minor issues until they were more comfortable with the conversation. Then, the issue progressed to working conditions, wages, production targets, provisions and the conditions of labour before and after certification.

### **1.7 Limitation of the Research**

Since this research was conducted only for two weeks, it might not have been enough to do in-depth investigations in the field. Furthermore, this research mainly focuses on the implementation of RSPO P&C in the aspect of economic, environment, and social scope, which is highly related to the RSPO principle 3, 5 and 6 respectively. So other aspects in P&C RSPO were not discussed in details.

This research does not claim the universality and generalization of its analysis to all market-based voluntary standards under the RSPO initiatives, as it is limited to an empirical study of one certified palm oil company. The interpretation of data is also subjective to my personal interpretation.

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<sup>3</sup> Until now, there is no electric facility reach that area, most of them using diesel generator from 6 – 9 pm)

## **1.8 Structure of the paper**

In chapter two, I elaborate the conceptual framework of this study. This chapter prevails the concept of sustainability and the link of sustainability with palm oil production, the birth of RSPO and transcription of sustainable palm oil into P&C RSPO as well as the definition of sustainable palm oil in term of environmental appropriateness, economic viability and social responsibility. Thereafter, the overview of palm oil in the context of Indonesia will be presented in chapter 3, followed by empirical data in the field is presented in Chapter 4. Analysis and discussion will be described in chapter 5 and lastly chapter 6 is conclusion.

## Chapter 2

# Sustainability and RSPO: Economic Viability, and Environmental and Social Impacts of large scale palm oil plantations

This literature review elaborates relevant aspects and disputes around the issue of “sustainable development” and “sustainability palm oil” which leads to “the emergence of RSPO” and “the general concept of the implementation of certification scheme” and lastly a discussion around the impacts of palm oil on the economic, environmental and social aspects.

### 2.1 Sustainability and RSPO.

#### *2.1.1 Sustainability as a concept*

Sustainability is a pluralistic concept (Rietberg 2011) that has been transcribed in many ways with different meanings depending on the context of the discussion and the audience of the debate (Redclift 2005). Because of its buzzword, sustainability created a ‘boundary term’ to link disparate groups on the basis of a broad common agenda (Scoones 2007: 589). To make it clear, Agyeman et al defines that sustainability is not about environmental concerns, sustainability is a wider perspective of social needs, welfare and economic opportunity which are integrally connected to environmental concerns (2003: 2). What becomes apparent in this definition that sustainability is never leaves the concern of environmental quality; when environment is exploited and degraded, it is intimately linked with social needs and welfare as well as economic opportunities for people in its broadest sense.

Sustainability has been used as a panacea to employ very wide issues such as poverty and development, preservation of biodiversity, the present and the future, the rich and the poor thus becoming highly contested issue in the political sphere rather than technical construct (Adam 2009). Agyeman et al (2003:6) pinpoints that sustainability represent belief in the need of society to adopt more sustainable patterns of living, and it is more focus on political mobilization by individuals patterns organized interests, and a policy goal for government. However, implementation of sustainable development does not challenge the dominant capitalist industrial model rather than emphasizing the power of the market to deliver social and environmental goods and setting out their own corporate green credentials (Adams 2009: 7). In business-speak, sustainability development tends to define as ‘making business sustainable’ and more emphasize on continuing business as usual in superficially greener times (*ibid*).

Following Adam, in the context of palm oil, Dauvergne and Neville (2010: 633) argues that sustainability is both powerful and misleading which created a discourse that is difficult to challenge its development because it is

widely accepted as norms and goals of the international community. Internationally it has been accepted as the alternative of fossil fuel and nationally it derives economic benefit for producer country. Even though the development called 'sustainable' but in the practice it looks set to displace livelihoods and reinforce and extend previous waves of hardship for such marginalised people (ibid).

It can be concluded that, the framing of sustainability is highly link to economic and political sphere. The sustainability is not only about environmental concerns but also interconnected factors with social and economy spheres. Since, the nature is pluralistic, the business actors tend to define as 'making business sustainable' or continue production on the border of green credential, but not to challenge its development.

### ***2.1.2. The emergence of RSPO as Institutional market regulation***

Perkins (1998: 46 in Keil et al. 1998) argues that implementation policies for 'sustainability' at the local or national level are not sufficient; a meaningful concept of 'sustainability' must address and incorporate the issue of international trade how much and/or what kind of trade can be considered sustainable. For that reason voluntary market mechanisms are relatively fashionable to counter environmental externalities caused by industries. Roundtable Sustainable Palm Oil (RSPO) is one of example of private governance which collaborates environmental NGOs and business actors of the palm oil industry to sit together and define sustainable palm oil standard.

RSPO is a global, multi-stakeholder initiative on sustainable palm oil which has objective to promote the growth and use of sustainable palm oil through co-operation within the supply chain and open dialogue its stakeholders ([www.rspo.org](http://www.rspo.org)). The inception of RPSO is to eliminate the negative externalities from palm oil boom in a sustainable manner based on economic, social and environmental viability. The emergence of a specific form of global private government like RSPO recently is associated with the trend of new liberal globalization to give space for business to develop their policy instruments and at the same time provide incentives for achieving sustainability standards (McCarthy and Zen 2010: 172), while the role of the state is considerably inadequate to control and to provide substantial environmental and social protection. So the voluntary regulatory such as RSPO may help to institutionalize the standards prescribed by international regimes within the local context (ibid). The matter how far market can regulate environmental protection is still contested. Cashore (2002) argues that the non-state market governance developed their own governance structures for social and environmental standards only to get attention from consumer preferences, economic motives.

### ***2.1.3 RSPO and its sustainability standards***

RSPO links the concept of sustainability with sustainable palm oil. This definition is laid out in a set of guidelines, code of practice of formal standard that cover on the three pillars of sustainable development: environment, social

and economic (ProForest 2003:5). However the RSPO does not give a clear definition of its perception of sustainable palm oil (Rietberg 2011).

According to ProForest reports as the consultant involved in development of sustainable standards, the sustainability of palm oil is focuses on better practice in palm oil management with the basis for evaluation of compliance (ProForest 2005). Moreover, World Wildlife Fun (WWF) as the initiator of RSPO made set of key elements to certain possible way to make production of palm oil becomes sustainable, at the end this key standard used as in the transcription of RPSO principles, the sustainable palm oil entails:

“no destruction of natural forests, no burning for land clearing, watercourse protection by buffer zones of natural vegetation, integrated pest management to reduce pesticide use, proper treatment of mill effluent and other wastes, respect for customary land-use rights of local communities, transparency in companies’ environmental and social policies and practices, with high-level standards of practice and independent monitoring and verification” (Brown and Jacobson 2005:29. in Julia 2010)

RSPO transcribed the discourse of sustainable palm oil as a combination of several discourses which entails transparency, legal compliance, economic and financial viability, best practice management, environmental and social responsibility and continue improvement as defined as follows:

**Table 1 : The Principle of sustainability of palm oil standard defined by RSPO**

|  |
|--|
| Principle 1 Commitment to Transparency   |
| Principle 2 Compliance with applicable laws and regulations  |
| Principle 3 Commitment to long-term economic and financial viability   |
| Principle 4 Use of appropriate best practices by growers and millers   |
| Principle 5 Environmental responsibility and conservation of natural resources and biodiversity                    |
| Principle 6 Responsible consideration of employees and of individuals and communities affected by grower and mills |
| Principle 7 Responsible development of new plantings   |
| Principle 8 : Commitment to continues improvement in key areas of activity   |

Source : [www.rspo.org](http://www.rspo.org)

Referring to literatures discussed above, this paper consider market voluntary mechanism like RSPO does not challenge the development of palm oil. It is mainly about how to enhance strategic the equitable development and to improve best practice. The following paragraph will explain how the three pillars of sustainable development are transcribed and match with the context

of palm oil and what to difference author recognize the essential issue of these three pillars on the field level.

## 2.2 Economic and financial viability of palm oil

Industrial systems, such as growth of production and consumption imply an increase in extraction of nature and eventually lead to environmental crisis. As indicated by Alier (2009: 1109) that economic growth does not conclusively for environmental damages and the exhaustibility of resources and it is not compatible with environmental sustainability. So basically what sustainability means in economic viability for sustainability cannot go hand in hand as Escobar asserts that sustainable development discourses purport to reconcile 'two old enemies', 'economic growth and the preservation of the environment' (1996: 328). He criticises that the sustainable development strategy focuses not so much on the negative of economic growth on the environment; it is more on growth (capitalist market expansion) that has to be sustained to eliminate poverty and with the purpose in turn of protecting the environment.

Pro-growth palm oil production argues that palm oil is pro-poor, promoting economic development through large-scale investment and other economic value. However, the development of palm oil requires advance technical processes, high capital investment and large facilities thus diminishing the comparative advantage of developing countries while local biofuel regions are losing their relevance (Mol 2007: 306). In terms of job provision, Watts (1992:95) in White (1997:103) reveals that growing evidence shows that the agro industry exercises varying forms of control and coercion over the production process, peasants often labouring more intensively (longer hours) and extensively (using children and non paid household labour) to meet the target production. In another paper White and Dasgupta (2010: 595) states that palm oil are another way of 'passing the environmental cost of the excessive energy consumption of in rich countries (and of elites in all countries) on the lower-income countries and to the poor'. As a result, under pressure of green accumulation, government and corporation, land expansion of agro-fuels is not only farming on 'idle' land, but also eroding crop farming, herding and gathering of wild products (Cotula et al. 2008 in McMicheal 2008: 19). Subsequently, the emergence of biofuel has given an intensified the impact of the skyrocketing food prices and food scarcity.

Global demand for palm oil has stimulated new forms of corporate land acquisition and expropriation and of incorporation smallholders in contracted production (White and Dasgupta 2010: 593). Contract farming is a way to link commercial agro-production and agro-industry in which primary production is not concentrated on large capitalists but remains in the hands of smallholders, linked institutionally through contracts to a larger 'nucleus' enterprise which handle one or more of the upstream and downstream activities (White 1997: 102). This process has affected access to and control over production and kept smallholders as subordinates in commodity market.

So, the preliminary pledges of palm oil for local development, job provision and poverty alleviation is not properly relevant to the condition of local people where the development of palm oil is established. The economic

viability is only for conglomerates, group elites and business groups to get more profit from palm oil development.

### **2.3 Ecology and sustainability concerns**

Economy and nature are connected for better or for worse which opens a number of options for intervention and change (Keil et al. 1998: 9). The implication the connection between economic biofuel expansion and nature reveals 2 fundamental crisis, food and climate (McMichael 2008: 610). He explains that Agro-fuels are considered as alternative energy supplies, but they substitute monoculture for crop rotation methods, depleting soil and producing insects and diseases build-up (Padila 2007:7 in Mc.Michael 2008:16).

A lot of literatures discusses the negative impacts of palm oil on the environment and links them to various different aspects. Dauvergen and Neville (2010) shed a light on the impact of the political economy alliance between North –South and South-South which exacerbated forest degradation and contributed significantly to forest fires in 1997 -1998 in Indonesia. (Borras et al. 2010) argues that the ecological destruction from palm oil is constructed with the “economics and political pressure” from global commoditisation and marketisation of land and nature. In addition (Castro 2004) observes human interaction with the capitalist economy as motivated by profit motives and has legitimized the exploitation of nature and labour.

From these aspects, McCarthy and Zen (2010) reveal that the development of palm oil in Indonesia contributes to the significant loss of forest cover where the plantation practice often involves encroachment particularly in sensitive conservation areas; apart from that, waste from palm oil mills often causes accumulation of affluent in rivers and affects the quality of life of the local people who live around plantation area. The impacts of environmental damage associated with agro industry are widespread including in Brazil as the producer of soy bean. The damage is however site specific and differs from place to place.

Many environmentalists used the theory of metabolic rift to explain the shift in nutrient cycling under capitalist agriculture. According to this argument, expansion of capitalist agriculture has disrupted sustainable biophysical relation such as nutrient cycles so it leads to soil fertility crisis (McClintock 2010: 194).

This threat of multidimensional environmental crisis has therefore been a key theme within the debate of sustainability. As a matter of fact, the environment appropriate used in RSPO P&C refers to application of minimum best practice which entails no forest, no primary forest or no High conservation Value Forest is cleared (ProForest 2003). WWF as the initiator of RSPO summarized the key important aspects that need to be acknowledged to address sustainability issues in palm oil development, as in the table below:

| Impact                                  | Best practice   |
|---|---|
| <b>Forest conversion</b>                | Commitment to protect forest with HCV   |
| <b>Clearance techniques</b>             | Use zero burning techniques   |
| <b>Choice of site</b>                   | Site selection based on assessments of soils and topography   |
| <b>Soil fertility</b>                   | Recycle organic materials and considered use fertilizers  |
| <b>Use of pesticides and herbicides</b> | Integrated pest management to reduce pesticide use and cultural techniques to reduce herbicide use    |
| <b>Biodiversity</b>                     | Plantation planning and management seeks to maintain wildlife habitats and protect endangered species |
| <b>Water management</b>                 | No conversion of peat lands and sustainable water use and recycling of waste water.                   |

Source : WWF International (2008: 11)

The best practice is an alternative approach to maximize biodiversity protection and at the same time minimize forest degradation for further palm oil plantation. However, the application of minimum best practice in terms of environmental appropriateness is generally adhering to difficulties, especially for many producer countries whose land concession is relatively easy to obtain (Proforest 2003). There is evidence that the adoption of best practice substantially from place to place and from company to company according to the number of specific regulations in producer countries. In Indonesia, for example, regional development strategies have facilitated large scale forest conversion including peat area that should be protected (McCarthy and Zen 2010). This is happened because the assessment procedures never effectively applied and serial of procedural to fulfil licence does not bound company's commitment (*ibid*).

## 2.4 The social impact of large scale agriculture

Booming palm oil has presented high demand investment for land and labour in many producing countries. Increasing expansion of oil palm not only affects the environment but also creates new social vulnerabilities, increasing pressure and competition for land, and further weakening of the relative position and food security of the most vulnerable rural actors (McCarthy 2010: 822). There are 3 main features of social impact caused by the large scale agro fuels plantation which is clearly found in rural area they are land use change and the potential land grabbing, contract farming, and labour intensive (Li 2011: 281).

Firstly, the 'land rush' for large scale agriculture is predicted unlikely to slow (Deininger 2011) and it has presently been framed as 'opportunities and risks' in rural setting (Fortin 2011: 16). Besides the development pledges from large scale investment, investor are taking advantage of "weak governance" and the 'absence of legal protection' for local communities to push people are off their lands; additionally, the investments are giving almost nothing back to affected communities in term of jobs or compensation and say nothing of food

security (World Bank 2010 : xxxiii). Borras et al (2010: 210) adds that land grabbing is potentially creating major threats to the lives and livelihood of rural people. A study in West Kalimantan, one of provinces in Indonesia which has recently been targeted as a greatest expansion, showed that large scale investment in agriculture has given rise to new social vulnerabilities and intensified conflicts over the land (Fortin 2011: 155). The evident from the field shows that elites group is giving support for domestic and transnational capital without consent of local communities and succeeded and wealth in productive resource brought little return to the area (ibid).

Secondly, the debate on large scale farming and contract farming has been come together with pro and contra arguments. Proponent of large scale investment in farming argue that the expansion of oil palm gives an opportunity for local people get involve in contract farming; this mechanism give links farmers to corporation and access to capital, technologies, processing facilities and secure market in the possession of their own land (Li 2011:281). Others less convinced about the benefit of contract farmer, argue that contract farmers subjugate peasants to increase control and exploitation by capital, leading a peculiar form of proletarianisation (Feder 1997, Payer 1980 in Koning 1998:113). As such, under contracting farming, large scale plantation (core) make the farmers sell their crops not their labour (labour is free) (White 1997:105).

Lastly, large scale investment on palm oil is strongly related to promoting job provision, Indicated by Li (2011:286), actually what investor needs is land not labour, significantly the people whose land is taken over by the plantation are seldom employed there, they prefer to recruit on contract from other area to maintain the work force.

Referring to the literature above, the major social impact of palm oil expansion is a land grabbing, contract farming and workers condition which has highly triggered conflict in palm oil expansion. Based on the indentified problem in economy, environment and social, the following chapter will discuss and analyze how the transcription of sustainability endorsed by RSPO can mitigate major problems and how the company perform the RSPO P&C in to practice by bringing more relevant empirical data from local perspective.

## **Chapter 3**

# **The Research Context: Overview of Palm Oil in Indonesia, Company Profile and Area of Research.**

This part provides information about the overview of palm oil plantation in Indonesia. It explains briefly the current situation and the existing policies which are favourable to support more expansion, thus followed by description of the case study PT PT. MM and demographic characteristics of the study district, so it will enable the reader to get an idea condition of oil palm in Indonesia.

### **3.1 Overview about the development of palm oil plantation in Indonesia**

Indonesia is a good case study to put under the spot light because (i) Indonesia experiences booming palm oil which has developed 30 fold from 1970 to 2009 from 259 thousand ha to 7.5 million ha respectively (Riau Bisnis 2010). (ii) Not only renowned for rapid expansion but also strong environmental and agrarian justice movement was already in place (Pye 2010). (iii) Indonesia destroyed 18 million ha of forest in the name of oil palm expansion (Colchester et al. 2006) and such rapid deforestation put Indonesia on the global record as the 3<sup>rd</sup> emitting country from the deforestation sector (iv) existing policies on agriculture are not strong enough to regulate palm oil industry which trigger many environmental and social conflicts. Sawit Watch recorded more than 663 communities engage conflict with 172 companies and 106 arrested as a result of such conflicts (IUF et al. 2006). These are the condition that can offer rich empirical material to understand the local context of palm oil production in Indonesia.

#### ***3.1.1 National perspective***

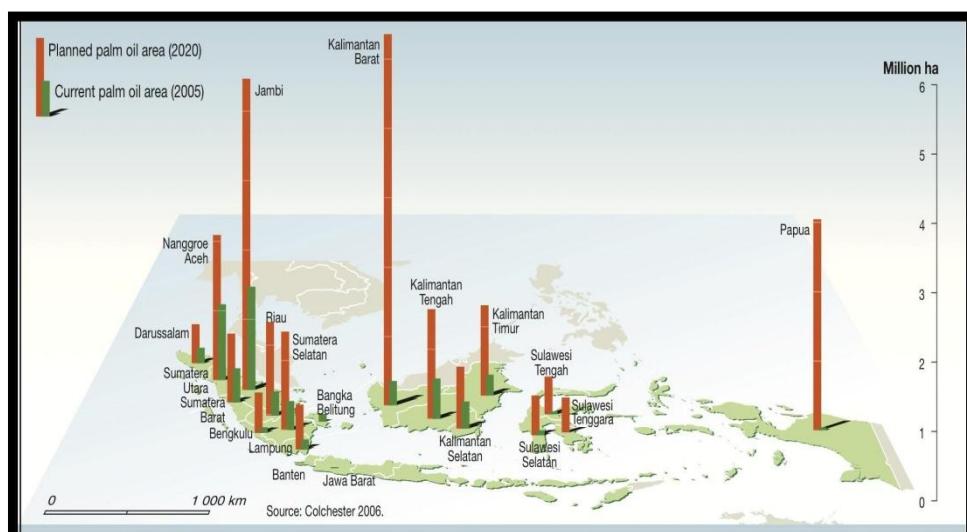
Development of agro industry in Indonesia has been accompanied by official promotions which have lead to a bulk of agrarian investment and capital formation in national and international agribusiness interests. It is reported that a handful of powerful players that control international trade in Indonesia. These include Cargill, as the world's biggest private company, Wilmar (the world's biggest biofuel manufacturer) and Synergy Drive as the world's biggest palm oil conglomerate in Malaysia (Greenpeace 2007).

From the history of agriculture transition in Indonesia, palm oil was not the main agro-industry; in the past, coffee, pepper and rubber were the main commodities long before palm oil plantations were developed (Sawit Watch 2010). Palm oil plantations in Indonesia are experiencing a rapid transformation of ownership. McCarthy and Cramb (2009) narrate that in the 1960s and 1970s, palm oil plantation was strongly influenced by global

development paradigms which required state intervention to plan and implement essential investments in rural area. Years later, influence by neoliberal ideas, policy practices changed gradually in Indonesia, a move towards corporation and privatisation, which is harnessing private investment for development goals. Today, the greatest expansion is in the private sector holdings, not only through privatisation and state ownership but also through the establishment of extensive new plantation form smallholder schemes, which accounted for 33% spreading out throughout Indonesia (Colchester et al. 2006).

Being positive with the prospect of palm oil in the agribusiness and energy sectors, by 2020 Indonesia is targeting to reach total production for 40 million of CPO by allocating more 12 million more hectare of land (Nurismarshyah 2011). The map below shows which areas the targets for expansion in 2020, Jambi, West Kalimantan and Papua will be highest expansion for palm oil in the near future.

**Map 1 : the future palm oil expansion in 2020**



#### Sources : Internet<sup>4</sup>

Referring to the overview above and the development of palm oil in Indonesia, the government has been controlling power over a natural resource which extends the jurisdiction of the forestry department to over 70% of the country (Colchester 2010). The lack of control over land resources has been the most important persistent conflict in rural areas. The existing national law which aims at protecting the right of people and local communities fails to recognize customary rights and allow government agencies a great deal of discretion in deciding whether or not to respect them (Colchester et al. 2006).

<sup>4</sup> Please see <http://maps.grida.no/go/graphic/future-expansion-of-palm-oil-in-indonesia#metainfo>

Frequently, negotiations are carried on between the corporations and government without any prior, consent and informed process to the local people and partially decided by local authorities.

Given the problem associated with the weak implementation of environmental law and regulation, Dauvergne and Neville (2010:654) suggest that for states with weak bureaucratic capacities to control over the production and export of agricultural Multinationation company (MNC), voluntary measures seem unlikely to realise the positive potential of biofuels, especially given past failures of (Corporate Social Responsibility) CSR to enhance sustainability in the agro food and forestry sectors. Moreover, even the extensive benefit from MNC will accrue unevenly in rural communities, with small-scale farmers, people with insecure land right, especially indigenous people frequently left out and harmed (*ibid*).

### **3.2 Company profile PT PT. MM**

PT. MM group is one of the biggest palm oil companies in Indonesia, which has 11 companies of any province. PT. MM had landholdings of approximately 126,000 hectares in Indonesia in 2006, which is 56% from the total of Central Kalimantan area (Greenpeace 2006). In Pelalawan district, PT. MM holds 28,336 hectares of plantation consisting of 2 mills and 6 estates. Its activities are not only producing Crude Palm Oil in the market but also developing downstream businesses such as soap, fatty acids, margarine and cooking oil. The group has some landmark achievements in business performance proven by obtaining Indonesia Best Exporter awards for five times consecutively.

The flag business of PT. MM has become well-known when PT. MM was titled as the first palm oil company in Indonesia got RSPO certification which facilitated by the Control Union Certification (CuC) in January 2009 with 100% unit of certification entails plantation area and two palm mills in Batang Kulim and Pangkalan Lesung as well as a smallholder farmer scheme (KKPA) totalled 1,638 in 2010. The brief step of PT. MM's certification was duplicated in the other 5 companies in Padang, Palembang and Kalimantan.

The activity business of PT. MM is intimately link with various conflicts regarding to contracting farming, denial of customary right and labour disputes. In 2005, PT. MM experienced flagrant violation of trade union right (namely SP Kahutindo) which included the dismissal of 701 workers and sentencing prison of trade union officers. Kahutindo sought to negotiate the implementation of minimum standards and to end the ruthless exploitation of contract plantation workers. However, the Company simply refused it (IUF 2006)<sup>5</sup>. Further calls for discussions and brief strikes which went on for 90 days failed which led up with the dismissal of demonstrators. This decision had affected remonstrant's families leading to evictions from state housing and dismissal of children from school. This incident shows that the procedure of complains are not negotiated deliberately and the freedom of association was

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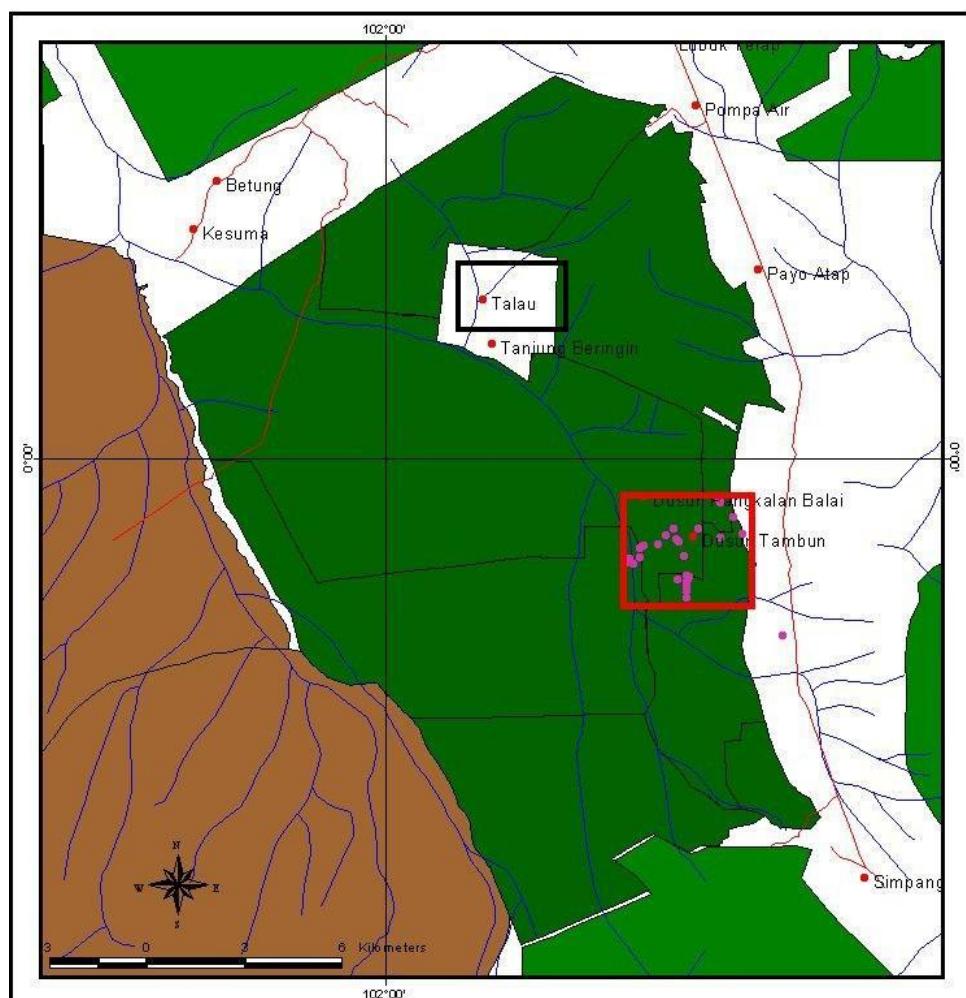
<sup>5</sup> <http://www.iufdocuments.org/www/documents/MusimMasPowerPoint.pdf>

not respected; though the company claim receiving all the complaints but it does not necessarily mean they found solutions to the problems.

Apart from that, complaint letters from neighbouring villages sent to RSPO president also prove that PT. MM still has unsolved social conflicts with the local community. Letters from 3 neighbouring villages reveal that company did not implement the principle of RSPO properly, where the social injustice regarding to land rights was denied and the operational business of PT. MM did not contribute to rural economic development.

There are 8 villages surrounding the PT. MM plantation, these are Kesuma, Talau, Tanjung Beriging, Pangkalan Balai, Tambun, Pompa Air, Payo Atap and Betung village. See PT. MM leaseholds (HGU) palm oil in map 2:

**Map 2 : The Leaseholds' PT. MM and two study case areas**



Source : Scale Up NGO

As indicated on the map above, the research study areas are Talau village and Tambun Village (Square part). These two villages are both located in the heart of PT. MM plantation and the area where Napuh river flows off

(see the blue line refer to river). Not surprisingly, local people highly depend on the sources from this river. Interview with a local people in Tambun, Saleh (75 years old) narrated that Tambun hamlet has been existed since 1917 since Dutch colonization, but he still did not understand why their existence was not acknowledged by the local government, so their land was handed over to PT. MM. This condition explains how the local's people right over land has not been acknowledged by local government.

To get their claim over the land, right now Walhi Riau is working with this community to bring their case to a discussion table with the company and the local government. The overview about this research area is discussed in the paragraph below.

Both places have privileges as the area where Napuh River flows off. So, 80% of local people were profession as fishermen. However, since PT. MM started its business, fish catchment from Napuh River slowly depleted. This fact rested on significant changes on livelihood. Many people gave up fishing and chose to work for the company as casual labours and some of them grow palm oil tree due to its prospectus price. Comparative condition of these two case areas is explained in the table below:

**Table 2: Comparative condition of two case areas**

|                | Tambun Hamlet  | Talau Village   |
|----------------|--|---|
| Size of area   | Approximately 1,000 ha with 60 households <sup>6</sup>                     | It is at predicted 100 ha for 50 households <sup>7</sup>  |
| Location       | In the heart of the palm oil plantation                                    | In the heart of the palm oil plantation (inside company's plantation)   |
| Infrastructure | No electric power, use of diesel to illuminate the houses from 6pm – 9 pm. |   |
|                | Road condition is still bad  | People use company roads  |
| Land status    | Non – enclave (all the area is part of PT. MM' leaseholds (HGU).           | Enclave (around 500 ha of land is taken by PT. MM and claimed as part of their HGU. Negotiation and documentation from National Land Agency (BPN) make local people could not do anything. Compensation paid partially by company |

<sup>6</sup> Interview with head of household

<sup>7</sup> Interview with former village leader

|                          | Tambun Hamlet   | Talau Village   |
|--------------------------|---|---|
|                          |   | without dialogue and negotiation.   |
|                          | People cannot have legal titles over the land   | People have land title and join KKPA scheme   |
|                          | Most of Tambun people are excluded from KKPA (scheme smallholder farmer because of their land status is HGU. Only 3 households joined the KKPA scheme because they bought land outside Tambun hamlet. | People who have land can join KKPA scheme. Company allocated 100 ha for 50 households to join KKPA. Due to the limitation of land only 26 households joined KKPA, the other 24 are still demanding the promise of the company |
|                          | most of the local people became independent palm oil smallholder farmer and some of them still maintain rubber jungle   | Most of the land in Talau engages with KKPA scheme and small parcels have been used to grow of land grow palm oil independently. Only small parcels of land grow rubber.  |
| Persistence of conflicts | Local people demand their land to enclave from Company's HGU  | Local people demand the promise from PT. MM to provide another 24 household to join KKPA.   |

### 3.3 Tambun hamlet

Tambun hamlet belongs to Pesaguan village as the patron village, located in Pangkalan Lesung Sub-district. Field visits found this hamlet ad still far from the developmental program. The area is so silent from the hustle and bustle of social and economic activities. From the main road, no one can recognize there is dwellers living there, due to foliage of oil palm trees covered this area. The road condition is very poor during rainy season; it is always muddy and slippery. There is no electricity operating, only diesel generator is available to illuminate dwellers' house until 9 pm.

Based on an interview with Saleh, he confirmed that Tambun was not part of PT. MM when it started its business in 1991. It was included when company started to expand their leasehold land in 1996. He added that from discussion around the governmental agencies, PT. MM approached the local government

and claimed that only two households in Tambun hamlet, and they promised to shifted them and gave compensation over the land. This inaccurate information led to approval of Tambun hamlet as part of PT. MM's HGU. Here, it can be seen that strong lobbying between the private companies to the local government made the local community voiceless. Unfortunately, the propriety of this information could not be gathered from governmental officers.

From approval of this expansion, Hasan (head of household in Tambun) added that PT. MM started signing their signpost which aroused resentment of the local people. Physical conflict started during that time, the bridge connecting Tambun area to the plantation was destroyed by the company and the police was called to muffle further physical clashes. Also, PT. MM offered monetary compensation to hand out their land. However, People in Tambun insisted not to move from their lands. The exertion is not to stop at that step, Saleh admitted that PT. MM approached and offered him 6 million rupiah, if he was able to provoke local people to give up their land.

After a long persuasion and violence, the management of PT. MM pledged not to force them to leave the area as long as both sides could live peacefully. Company recited developmental program for local people such as building infrastructure, job provision and free health services, however the implementation was very minimum (FGD report). The developmental program assigned by local government to PT. MM such as KKPA scheme was not applicable for Tambun people, since they do not have land title over the land. Status of HGU does not allow them to privatize their land; while one of the basic preconditions to join KKPA is the people should have land title. The fact leads to local people to grow palm oil independently with limited capital and agronomist knowledge. The condition got worse, when PT. MM obtained RSPO certification; the company is limited only to accommodate fruits from certified schemed farmers. This condition severely excluded independent farmers from the development of palm oil.

Tambun people experienced a shift in the agricultural commodity. These occurred because of the interaction between the local people who adhere to work in the company and were influenced to grow palm oil because of the relatively high prices of this product. Slowly but surely the traditional agriculture shifted to palm oil plantation. An interview with Hasan indicated that local people used to have three main economic sources through which they earned their living. Firstly, the majority of the people was fishermen around Napuh River which flows in that area and is a very rich of source of fish. They caught fish for domestic needs and income. Secondly they had rubber plantation which was traditionally inherited from generation to generation, they sell into either the market or to the broker who regularly come to pick up the latex. The thirdly was paddy fields and other subsistence crops for daily consumption. Overall, the people never lacked of food supply.

Now, the situation has changed, the basic economic activity of the Tambun people is land management for palm oil and only a few maintain rubber. Planting subsistence crops is no longer practiced because the soil is infertile, also there is a shortage of ground water and unpredictable climate, both condition not conducive for farming. Moreover, major economic

activities from Napuh river is not able to support life anymore. FGD discussions reveal than companies dump their waste into the river causing the death of hundreds of fish.

The uppermost concern of Tambun people is the status quo of their land. Though the company promised they would not expel them, the changing management will affect the policies in PT. MM and evict them someday. Also, with this condition, local people cannot lease their land to banks to get loans, to improve the quality of their plantation for both the rubber and the palm oil. Notes from FGD reveal that, “if the company does not want to give any development program to them, it does not matter, because we can do it our self. What we want is they to return our land.” (Saleh 75 years old).

### **3.4 Talau Village**

As noted above, Talau village is an enclave of Company’s HGU. Its location which is in the heart of the plantation made local people finds difficulties to consult the outside world. For those who does not know precisely where Talau village is might get lost easily because there is no signpost there. Somad (60 years old) explained that everyone who comes to Talau must pass security check, including the things they bring in their vehicles. This regulation also applies to dwellers who come in and out from the village. Local people feel under intimidation. This complaint letter regarding to the inconveniences had sent by Tanjung Beringin people who live next to Talau to the President of RSPO.

Talau village experienced the lost their land when PT. MM set up its frontiers. It was held by company and the BPN (National Land Agency) without involving local people. They, except the local people, did not know precisely the border between Tanjung Beringin and Talau.. As a result, when the map of plantation issued, the area of Talau that is used to be bigger than Tanjung Beringin became smaller whilst it has more population. Moreover, Talau area had been reduced and approximately 500 ha was included into company’s leaseholds. Now, Talau village is only 100 ha including settlement, garden, plantation and yard with the total of population 50 households (interview with Somad, former village executive). It can be said, that the distribution lands each of household less than 2 ha.

There was some compensation that the company promised over that land has been grabbed. However, The Company set up their own value without consent being informed prior to the dialogue with local people. In 1992, the company assessed monetary compensation depends on the commodity inside. Empty land without plantation was awarded 50.000 Rupiah/ha, and land with productive rubber trees was valued between 2.500 Rupiah for each grown up tree and 1000 Rupiah for each young tree<sup>8</sup>. The local people received all the compensation with no choice. There were some various approaches that the company did to muffle the mounting anger of local people. The company

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<sup>8</sup> Interview with the Scale up

promised to give health and medical provision, job opportunity and better rural infrastructure development. The company even approached the village leader to persuade the villagers. Often, company offered village leaders cash and in kinds, although not all village leaders accepted it<sup>9</sup>.

In developmental programs such as KKPA scheme, PT. MM pledged to build up 100 ha of palm oil plantation for 50 people in Talau village. Fifty-two ha have been built in 2001 -2002 for 26 households and at 48 hectares has not started until now because people cannot provide land in Talau area, because the total Talau is only 100 ha consist of 52 hectares are KKPA scheme and the rest of them are settlement, rubber plantation, and mosque etc. So, it is not possible for the local people to use any village land to join KKPA scheme. However, the Talau people try hard to find the land that can be used for KKPA, at the end on 5th May 2008, the local people made an agreement with Mr. Zain to use his land for KKPA around 22 ha as collective land for Talau people. Mr. Zain agreed to hand over his land but there was not any positive response from MM. The process is still continuing and Mr. Zain has started planting oil palm tree on his land and any time he can give this land to MM with one condition, the company should pay the expense during the plantation only. Again the company did not want to give compensation<sup>10</sup>. Up to recently the people are still waiting for the company keeping their promise, even one of them has been passed away still he did not get their rights<sup>11</sup>.

Based on the overview above, it is clear that the interests of local people have been sacrificed to fulfil ambitious development of palm oil in Indonesia. Two study areas reveal that land grabbing is executed by companies and back up with governmental apparatus. Case of Tambun reflects how corrupt the local government is and did it is failure to implement spatial planning correctly which lead to handing over of village land to companies. Until now, there is no clear commitment from the local government and company to free Tambun land from PT.MM's HGU.

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<sup>9</sup> Interview with Somad

<sup>10</sup> From interview with local people

<sup>11</sup> Scale up \*Mr. Rawin

## **Chapter 4**

### **Empirical findings: Framing the Sustainable palm Oil in economic and financial viability, environmentally appropriate and socially beneficial management.**

This chapter focuses on analysing and discussing the findings regarding the implementation of RSPO certification carried out by PT. MM as well as some changes they claimed to ensure the appropriate efforts to meet the standard P&C RPSO. In line with the sustainability development which entails the 3 pillars economic, environmental and social, analysis and discussion is based on the local impact on the existence of PT. MM plantation and mills. Following this chapter – how is the certification of RSPO being implemented in practice?, how the economic viability gives an impact to the rural livelihood?, what are the demonstrable activities to ensure environmental sustainably and social impact of PT. MM business to the local communities?

#### **4.1 How are RSPO P&C implemented?**

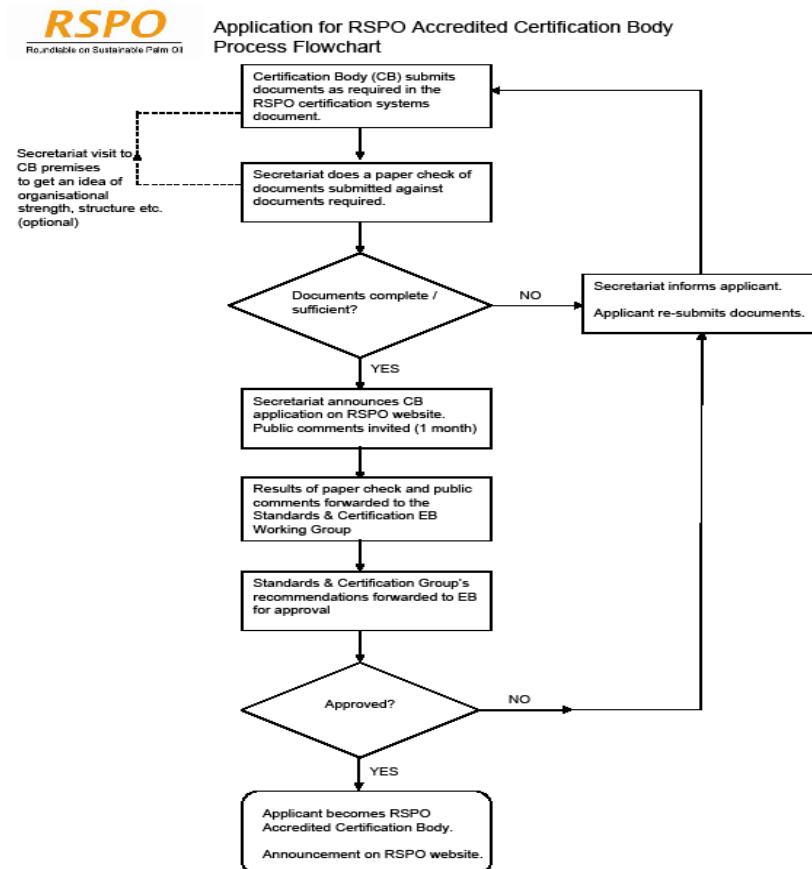
In general, prerequisites to get legal RSPO certification are: parent company seeking certification should be a member of RSPO and able to demonstrate its compliance with the criteria set out in the RSPO certification document. PT. MM, as case study Company, has been a member of RSPO since September 2004. The process of certification PT. MM was conducted by an independent third party certification body, namely Control Union Certification (CuC), which has been authorized by RSPO.

According to Gunawan (Public relation of PT MM), the RSPO certification process took a serial process. Before coming to the real certification assessment, an initial assessment is required, followed by subsequent monitoring to make sure that the company meet the standard of RSPO. The report from third parties was designated by RSPO showed that 70% of criteria of RSPO have been fulfilled. Triggered by that report, Gunawan explains that MM kept on doing corrections and improvements in the internal system ranging from the lowest level to the highest level to fix the system, documenting and updating the information in order to improve the company's performance. After a series of improvement on its management, by the end of 2007 again PT MM conducted a second prior-assessment and the report showed that 90% of the RPSO P&C has been achieved.

Being confident with the second result, Gunawan reports that PT. MM started the real certification assessment in June, 2008. The unit certification covers two mills, Batang Kulim and Pangkalan Lesung palm. The assessment was conducted for 5 days started from 2 – 6 June 2008 for gathering evidence from all relevant stakeholders, such as indigenous people, local communities,

workers, out growers and local NGOs. See the flowchart below for the system RSPO certification:

**Flowchart 1: Process RSPO certification**



Sources : RSPO website <sup>12</sup>

The flowchart above shows that after assessment and documentation have been completed, the Certification body published the assessment report on the RSPO website and wait for non-conformance of public comments for one month. Furthermore, Public Relation PT. MM asserts that

“It was not significant the non conformities being raised during the surveillance assessment, because since the beginning we tried to improve our management to pursue the company’s vision by doing friendly environmentally practices in plantation and effectively mitigating the conflict by opening dialogue and communication with the local people, it can be said that PT. MM is close to local people.” (Interview 15/08/2011)

<sup>12</sup> RSPO Supply Chain Certification System, accessed on 10 August 2011, available <http://www.rspo.org/?q=page/516>

Extended questions also addressed to the local NGOs whether they read and checked the surveillance report from the auditor, NGOs representatives who concerned with palm oil issues admitted that they heard the report posted somewhere in the RSPO website but they had not read it. Confirmation from Riko, as the representative of Perkumpulan Elang Riau affirms that

“There is no clue who read the surveillance report. I argue that local people as the object in the report also do not understand what the company claim to the auditor about their treatment to them. Now there is no electricity available in that area as well as technology such as internet. I would say that this is only a procedural process without any significant effect.” (interview 12/08/2011)

The absence of reading surveillance report also made the complaint report sent to President RSPO less effective after the process of certification. Ary the representative of Scale up has facilitated 3 complaints letters, written about the unfair practice of PT. MM reported that

“Until recently we did not receive any response regarding the 3 complaint letters from Tambun Hamlet dated 19 June 2009, Pangkalan Lesung dated 18 June 2009 and Tanjung Beringin village dated 20 June 2009” (See appendix).

## **4.2 The opportunities and challenges of implementation of RSPO standards.**

Gunawan contemplates that the implementation of the RSPO standard is less difficult for PT. MM, because basically the standard has been there, only not well-documented, or systematically up dated according to RSPO guide lines. The achievement of PT. MM to get RSPO certification has been duplicated to other five subsidiary companies located in Palembang, Padang and 3 other companies in Central Kalimantan. In order to verify better management practice in palm oil industry, PT. MM invited stakeholders to public consultation and called for comments.

The second challenge is to change the mindset of the human resources to deal with social and environmental problems. By means, the company should be able to raise awareness of local schemed farmers to meet the call for environmental responsibility and engage them with serial training and invest capital to improve the quality of the fruit products, while local people always thinking about high return of palm oil prices. The same coined also delivered by schemed farmer member, Hasan (35 years old) as below:

“There is no change before and after certification in term of FFB price. The price is remained following the local price stated by Agricultural services. So, what is the different between certification and non certification if the price is the same? While we had spent more capital to improve quality of palm oil tree. We are just wondering, after all our effort on certification process, what we do we get in return? Only increasing debt.”

Based on the fact above, Gunawan admits that farmer demand for more prices after certification; while up to recently the premium price is

relatively very low compare to their monetary capital input and efforts to pursue certification. Without mentioning the precise percentage of market distribution, Gunawan adds that the demand of market Europe is still low compare to the capacity of certification products that they have. Furthermore, more buyers are from India and China which is not willing to pay more for certified products.

For PT. MM, certification RSPO is not about expecting premium prices from the market, it is more about moral responsibility to keep the business sustainable and responsible to the social and environment. In addition, gaining CSPO gives open access for PT. MM to enter European market, which is required certification.

### **4.3 Implementation of economic viability**

The financial and economic viability transcribing into principle number 3 stated that the company need to improve their long-term production both by quality and quantity to ensure its sustainability in the future. The successful benchmark is signed by providing management plan minimum 3 years and annual replanting program report. Apparently it means that the plantation must be profitable to be sustainable with a presence of optimal “long-term management planning” and “annual replanting program”. In other words the principle of RSPO regarding economic viability is only addressing the economic growth of Palm Oil producers not to local people.

Although this third principle only covers the economic viability for business's perspectives, PT MM believes that assurances of economic and financial viability is very important to keep contributing regional revenues to local government, job provision and generate income and development for rural livelihood. One of economy development presented by PT. MM is Contracting farming called KKPA to support income generation for rural people.

PT. MM built two sites for of KKPA in Rawa Tengkuluk and Merbau Sakti which has a planted area 802 ha and 865 respectively. KKPA Scheme as general rural microfinance programmed, which was widely applied in the palm oil sector from 1995 onwards replacing the nucleus-plasma scheme. This scheme is providing space for the cooperative to manage their plantation under the guidance of company. Under this scheme, local people enrol and surrender their land to company. The amount of land is around 1 until 2 hectare per head. PT. MM developed initial financial support from its own cash, such as land clearance, planting, fertilizer and other inputs for 48 months, and gave out the land to the member of KKPA. In returns, this financial support should be return back by cutting 30% from their production volume via bank for 7- 8 years<sup>13</sup>. The length of debt completion may vary deepening on the volume of production. Furthermore, the KKPA member is engaged with contractually

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<sup>13</sup> Interview with Gunawan

obligation to sell their FFB to the company's mills for one cycle of the palm tree.

This paper found that, contract farming scheme outcome is highly variable in two villages which shape livelihood strategies. Tambun people who have excluded from KKPA scheme are struggling with the poor productivity of independent farmers and for that reason they maintain rubber plantation as livelihood strategies. In contrast, people who joined KKPA do not have any option with the mechanism of contract farmers, as one of members of KKPA Rawa Tengkuluk says:

“.. the KKPA scheme is one of the company's objectives to expand its plantation. This assistance is not free, it is a loan. We have to pay 30% from the volume of production plus any operational cost which accounted 40% from the total production. There is no transparency when the credit will be over”

Field study reveals, KKPA scheme offer reliably forecast incomes for its member but at the same time exploited the peasant household as indicated by White (1997:105). For some cooperative member this money can be a stable income for them and receive without questioning how much fee they paid for credit, weighing and collecting FFB, fertilizer, and other things which is approximately 40% from the total of money they got from harvesting. However, several cooperative members complained especially for fertilizer, for applying fertilizer 2 times, they have to pay 4 consecutive months and the number in total does not make sense. Nonetheless, there is no clear answer when this issue aroused.

#### **4.4 Implementation project for environmentally appropriate**

To prove its credibility to the stakeholders and to the public, there are some strategies built up to meet the criteria and principles of RPSO in terms of environmental and social responsibility which planned on Policy documents (POD). This document is posted regularly on the RPSO website, so the stakeholder can see the performance of the company to improve the corporate responsibility. This strategy is passing through the process of public consultation with the stakeholder, local NGOs, government and village leaders.

Forming environmental appropriateness, PT. MM implemented environmental corporate social responsibility with WWF in Flying Squad project. It gives training to local people who live around national park to handle conflict with the wild elephant, without harming the life of its species.

A project related to the management of water systems was conducted by keeping planting area at 50 – 100 meters from the river. According to the Scale Up representative, the commitment of the company to perform better practices was phenomenal by cutting down 1,000 palm oil trees at the bank of the river justified by local government and NGOs. However, observation from the field revealed that palm oil trees are still standing on the part of the river rarely explored by public by seeing the picture below. This is one of the example of RSPO P&C violations. Tanjung Beringin has sent a complaint letter to the president RSPO mentioned in item number 6 that the company

plants palm oil trees on the river bank affecting the fish sources and causing flood when it rains.

**Figure 1 : the Location of Palm oil Plantation on the green belt river**



Source : field data collection

In order to document the Environmental assessment as one of indicator in principle 5.1, PT. MM hired a credible consultant approved by RSPO, Aksenta, to conduct study of Environmental Impact Assessment (EIA) identifying rare species and monitoring some conservation area in the planted area. Aksenta reported the need to develop HCV (High Conservation Value) areas and improve the management and the monitoring plans, to avoid the conversion and encroachment for the sensitive high conservation area<sup>14</sup>. Based on that report, PT. MM set up some signage on strategic location of HCV to create and maintain awareness followed by surveillance around the area.

There are 5 types of HCV identified in planted areas such as protection of rare species, green belt area around the river bank, hot spring and old graveyard<sup>15</sup>. The company claimed that HCV's are monitored and conserved consistently. The field observation found that 6 hot spring located near the main plantation area are well-maintained than the hot spring inside the conservation area. Interviewed with casual workers established that the hot springs near the plantation area were visited by auditors during RSPO certification. Contrasting conditions are evident in the hot spring in the conservation area which was very difficult to reach on foot (figure 3). The hot spring was dirty and poorly maintained. The opposing issue also raised by

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<sup>14</sup> Aksenta report

<sup>15</sup> Interview with Gunawan

Batin Tua group who sent a claim letter to the RSPO president, explained that PT. MM had flattened ancestral graveyards in its HGU to grow palm oil trees<sup>16</sup>

**Figure 2 :The location of HCV Hot spring PT. MM**



**Source : Documentation of field data collection**

**Figure 3 : The way to go to Hot Spring (HCV 6)**



**Figure 4 : The comparative condition of 2 hot springs in PT. MM area.**



**Source : Documentation of field data collection.**

To accelerate environmental amelioration, PT. MM develops Clean Development Mechanisms using advanced technologies which are rarely used in Indonesia. Palm Oil mill effluent (POME) is a waste management from palm oil mills into bioenergy. The methane gas from the waste was caught and utilized as electricity. The waste itself is utilized as fertilizer. This project hereby contributes to improved local environmental. This in turn reduces the cost of pollution control and supports the global agenda of climate change mitigation while at the same time reducing costs from fuel purchase. Earlier, the waste from palm oil mills was treated conventionally by providing lagoons, methane gas was produced and consequently polluted the river during heavy rains.

The operationalization of POME as a methane capture and energy generator is one of the renowned technology from PT. MM to meet 3 criteria in principle 5 such as mitigating pollution (criteria 5.6), waster reduction, recycled, re-used and disposed (criteria 5.3) and efficiency of energy use (criteria 5.4). POME is a relatively costly technology. It is said that POME can generate 2,5 megawatts power for houses and factories. This technology is also duplicated in other subsidiaries of PT. MM group.

Despite efforts to promote environmental appropriation both from science and technology the results and applications do not represent a value neutral effort to improve nature and people as indicated by Castro (2004). The crisis of soil fertility due to the 'metabolic rift' has eroded yields of major subsistence crops. It is clear that science and technology in a capital society do not lighten the 'day's toil of human beings and do not necessarily solve environmental sustainability, but to extraction of surplus value (Marx 1977:492 in Castro 2004:217)

There is no more rice grown and no more fish caught as a source of livelihood in the two study area today. Consequently, local people around the plantation area only depend on cash income from selling labour and individual palm oil or rubber plantation. In addition, the issue of ground water becomes

primarily a problem for rural people. Two weeks without rain leads to water scarcity, they must buy and use water efficiently for daily needs. In contrast, the long rainy days leads to water overloads in the river and sometimes causing flooding in their crop gardens.

## 4.5 Social beneficial management

The aspect of social beneficial management is reflected in Principle 6 of the RSPO combines the social effect on individuals and affected communities from the plantation and mills as well as regulating the condition of employments. The benchmark of the social factor is verified from the documentation of the Social Impact Assessment (SIA) to respond Criteria 6.1 and 6.2, regarding mitigating social negative impact and promoting positive ones. To meet the criteria 6.3 about mitigation potential conflicts, Gunawan explains that, PT. MM has established standard of procedure to accommodate conflict and disputation from affected people through dialogues, this meeting is considerably useful to listen the people's aspiration and implement it through the CSR program. On the contrary, Anto (peasant from Tambun hamlet) argues that dialogue is only listened without given any solution. This is primary 'broken promises'. Take one example of the construction road in Tambun village, it has been promised for long time and the local people keep asking it repeatedly for 5 years. Finally the implementation became real when PT. MM engaged with RSPO certification process<sup>17</sup>.

The same issue was also delivered through complaint letters from community Tanjung Beringin as explained in item no 7 which mentioned that since PT. MM awarded CSPO, the proposal for local development has never been responded to. In Tambun village the proposal for building mosque in a budget of 100 million rupiah was only responded to by giving 3 sacks of cements<sup>18</sup>.

### 4.5.1 *Revealing the voices of workers from the shading of palm oil tree*

A criterion of 6.5, 6.6 and 6.7 regarding labour conditions has been regulated in RSPO certification. To reveal the gap between the company claims, here are the stories from casual workers regarding to working condition in palm oil plantation.

PT. MM consists of 6 estates and each of estate hire around 600 – 800 workers, so in total the company employs 3.600 – 4.800 workers every day. Principle 2 in the RSPO regarding to 'compliance to applicable laws and regulations' requires companies to comply with national and international laws and regulations. Given that fact that, the company claims that they pay

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<sup>17</sup> Interview with Anto

<sup>18</sup> Interview with Hasan

workers' wages higher than provincial minimum wages standards as much as 1.120.000 Rupiah per month in 2010<sup>19</sup> (Criterion 6.5)

No doubt that the improvement of the palm oil industry has provided job opportunities for the people, especially for unskilled labourers. However, varying control and degree of coercion are still going on over the production process which is historically the forerunner in many plantations (White 1997). The condition of labourers is still backwards, amid the progressive promotion of palm oil production. The establishment of big-scale palm oil plantations has resulted into low wage schemes with high target production, minimum social security and isolation of workers from the outside.

Though the wage of workers is following the local minimum wage, workers always employ intensively (longer hours) and extensively (using children and unpaid household labours) to increase the output and quality (Watt 1995 in White 1997). In daily, the company assigns workers to harvest 80 FFB which is counted 40.000 per day (approximately 3.50 Euros); the completion of target will reward Rp 1.200.000 in a month (around 110 Euros)<sup>20</sup> which meet the minimum wage standard in Riau province. However, one of workers who has been working for 8 years explained that,

“...To meet a target of 80 bunches of FFB is not commensurable with the target production and working hours every day. The sanction to not fulfil this target will lead to wage deduction, intimidation from butler and dismissal from current job. Sometime, workers involve their family members to achieve the target...” (Samsul, 40 years old)

What the company claim about the absence of child labour formally employed was probably true, but under this high target production, workers were forced to involve unpaid wives and children. To top it all off, the high target make workers to work intensively and spent lesser time with family. They have must be ready at 6 or 7 am in front of the main office waiting for the truck transport them to each estate and go back home lately depend on what them the truck pick them up<sup>21</sup>

The working equipment such as Jodos <sup>22</sup>and lorry is another interesting issue. Samsul claims that he spent his own money to buy the pipe which is cost 400.000 (equal to 35 Euros), because he did not get any response for the request he had made. At the same time, the economic burden for his 4 children is on his shoulders made one day off is vulnerably affected his family. Dismissing people from job is not serious big deal for the company; there are hundreds of people waiting to replace. Labour is abundant so highly competitive. Most of workers in PT. MM are migrants from Java, Nias and North Sumatra who are majorly landless in their places. This phenomenon is

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<sup>19</sup> Minimum Regional wage, accessed on 14 September 2011

<http://allows.wordpress.com/2009/01/12/informasi-upah-minimum-regional-umr/>

<sup>20</sup> Interview with daily labours

<sup>21</sup> Interview with casual workers

<sup>22</sup> Tools for harvesting FFB

indicated by Li (2011:286), there is two reasons to import labours, firstly is profit making perspective by hiring them with indenture system and secondly labour is super abundant, hence it is cheap and easily disciplined. For that reasons, many plantation workers are simply accepting the condition. Also, the experienced of PT.MM to dismiss their workers in 2005, made the workers to think twice to do demonstration. From that moment, they learned that PT.MM will not hear any negotiation and complaints from the workers.

#### ***4.5.2 Identification, calculation and compensation for customary rights to land***

The principle 6.4 in social responsibility has a link with the principle 2 to use FPIC principle (Free, Prior, Informed and Consent) to acknowledge and respect customary rights in order to avoid the significant land conflicts in the plantation area (See the appendix P&C RSPO). FPIC literally refers to “the right of indigenous people to give or withhold their free, prior, and informed and consent to propose measures that will affect them” (Colchester 2010). FPIC has been evolved due to the fact that intensively managed planted forest violating the customary rights of indigenous people and local communities which lead to serial of land conflicts.

PT. MM claims to acknowledge legal or customary right of other users according to the principle of Free, Prior, Informed and Consent (ASA report 2010). In contrast, from discussions with local people and local NGOs, PT. MM never conducted dialogue, made agreement or informed local people which lead to conflicts. It was noted in the FGD, that during land clearing and setting up company’s frontiers, the people in Tambun hamlet did not get information about the activity of PT. MM from the local government or the company. Surprisingly enough, they came to know that Tambun land was belonged to PT. MM’s HGU when the signpost was setting up<sup>23</sup>. After a long tussle with the management PT. MM, Tambun have still been included to company’s leasehold. Saleh admitted that the people in Tambun did not want to get any compensation for their land because they were afraid after getting the compensation they must leave their land.

In contrast, Adnan as the former of chief of village Pangkalan Lesung claimed that PT. MM implemented FPIC accordingly, while Somad as socialite in Tambun asserts that the negotiation was only reach the higher level of local government and did not consider the condition of the local people. Very often these local officers use their position to get own benefit. There is no formal and informal meeting to accommodate local people. Company prefers to approach the key actors in the community to mitigate the conflict with the local people.

The principle of FPIC also was not well implement well in Talau Village. An interview with a former village leader in Talau found that in the beginning of existence of PT. MM, the company held stakes around the planted area

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<sup>23</sup> Interview with Saleh, Tambun hamlet (75 years old)

which went beyond village border and passed through the local people's land. When the village apparatus asked for the clarification they asserted that this was only temporary measurements and the real ones would be done another time. In fact, the real measurement has cut down the Talau village area. This process is explaining how FPIC principle is not implemented by PT.MM.

# Chapter 5: Analysis of Findings and Conclusion

## 5.1 Introduction

This paper explored the implementation of RPSO certification study case of PT. MM, Riau Province, Indonesia. This paper also reveals some implication of violation of RSPO P&C which mislead from the mainstream of the sustainability development.

## 5.2 Economic viability to whom?

Principle 3 of RPSO's P&C related to economic and financial viability is designated mainly for the growers to maintain long-term business or management plan regarding to improving quality and quantity of FFB. The main demand of RSPO P&C is that the top management must be able to demonstrate attention to economic and financial viability through long -term management planning (Julia 2010). By means, economic sustainability in RSPO standards is primarily about assuring economic profitability and production for the company not to social needs of welfare and economic opportunity of local people which is connected integrally with environmental concerns, as indicated by Adam (2009: 2). Thus, principle 3 is only addressing the economic opportunities for palm oil producers and leave the promised to improve rural livelihood, poverty alleviation and job creation as noted by White and Dasgupta (2010:593)

“Agro-fuels project promised employment and income for tens of millions of rural workers, whether as smallholder farmers producing on contract, waged workers on large plantation, or workers in upstream and downstream agro-industry.”

Although currently palm oil production contributes job vacancy to the million of rural people, the condition of workers and farmers remains poor, oppresses with high target and limited income amid the skyrocketing food price. Furthermore, workers' condition is not any better than contract farmers. The company has subordinated small farmers to commodity market which enrolled them with monopoly created without any bargaining power. At the same time, independent farmers has been excluded from the commodity chain of sustainable palm oil, which is practically accused of unsustainability, they choked down the fact to sell their FFB to intermediaries with at low prices. As it is resistant only for 24 hours, it forces them to sell before that time.

Having said that, the economic viability has been shifted to the economic interest of business players especially growers and millers as capitalist groups. They are required to have systematic management plans to ensure increasing production and the quality of FFB in creating security supply demanded by the market. This is not sustainable at all for the local people. This is all about

economic prosperity of business player at the same time eroded the human welfare in the rural area.

### **5.3 Environmental appropriateness**

To some extent RSPO standards attempts to mitigate negative impacts from palm oil production by regulating corporation for calling for waste reduction, energy efficiency, and protection of endangered and rare species, reducing pollution and fire prevention. Facilitated by Aksenta Consultant, PT. MM has recognized and committed to preserve a high conservation value around plantation and committed to preserve it. Based on Aksensta report, PT. MM commits to continue its improvement in minimizing the negative impact and enhancing the positive ones.

Instead of approaching every element of environmental indicators in RPSO P&C, PT. MM accelerates environmental amelioration by investing in technology for treating Palm Oil Mill Effluent (POME). The POME technology allows for methane capture from the effluent and at the same time using it as a renewable source of energy. The use of such advanced technology requires a huge amount of capital in order to promote Clean Development Mechanism (CDM), which is politically acceptable and workable to mitigate negative impact on environment. However, Hager (1996) in Adam (2009) argues that the techno centrist approach is showing “aesthetic alteration but basically continues as usual”. There are growing concerns that significant promotion of CDM does not necessarily reflect real emission reduction, because a baseline scenario for CDM project activity is a hypothetical reference case, which cannot be monitored and verified (de Sepibus 2009:6). This argument can be valid since there is no clear baseline of emission prior to the application of POME.

### **5.4 Social responsibility**

This element is trying to enhance the corporate responsibility to the affected community who live around the mills and plantation, including the workers, indigenous groups, women and other local community members. One of the supporting documents to verify the social impact of the company to the local people is the SIA (Social Impact Assessment) report.

The logic behind this principle 6 is to make sure the existence of the company can bring positive impact to the local people, in term of economic, infrastructure and freedom to have association. Data from field research found that workers' condition under the big-scale plantation do not change after and before certification. The local workers should compete with other emigrant workers for job and they do not have any bargaining power to improve their condition. If they do not obey the rules imposed on them by the company they can walk away, there is a long list of workers from other places willing to replace them. Labours become more mobile in many casual setting: rural-urban, rural-rural, urban-rural, in country and international (Borras 2009). The targets on production are also treating them living inhumane, giving them no options but to involve other family members in their work. Moreover,

transparency over targets is not well-explained. The full time working in the plantation does not give them time to do any informal sector work, so the workers tend to be silent and take anything they can get. Those who have land would prefer to be self-employment while the landless people prefer to work as casual workers without any option to support their livelihoods and their families.

The conditions of the KKPA have resulted to the unequal distribution of income. The elites groups in the rural area have more favorable conditions; on the other hand the landless have been excluded from this scheme. Furthermore, the conditions of independent farmers are beyond the scope of this target. In one hand KKPA members got agricultural technology to improve their production, on the other hand the same package of technology remain beyond the reach of poor peasant and control by company and their local distribution and retailers. The alarming temperature recently has also influence rural world today. Riko (Perkumpulan Elang Riau) argues that the new initiative of RSPO has ignored the condition of independent farmers, while the governments are seemingly washing their hands off this issue.

## **5.5 How are unsustainable practices still getting certification from the RSPO?**

Based on findings from the field, there are some violations and loopholes in the implementation of RSPO certification in which some of the factors below occur:

### ***5.5.1 Auditor vis -a -vis company***

I would say that time allocation for auditors are categorically limited to overlook all aspects of 8 principle and 39 criteria of RSPO, with the total area of 28,000 hectares more. In the case of PT. MM, the auditor took 5 days for one visit. Same auditor such as TUV Nord consultant spent 5 days to assess PT Mustika Sembuluh, and 12 days to assess PT London Sumatera, which is divided into 3 phases, three or four days in each phase. For those certain of time, the auditor must work efficiently and effectively to cover the check list of RSPO certification standards, so there could be a possibility that all areas are covered intensively in plantation.

On the other hand to promote the auditor's work, the company tends to make up the place, evidences and designated respondents to meet the required standards. Take one example of when PT. MM's claimed to clear the entire palm tree plantation along the river bank as their commitment to save the green belt and conserve the volume of water. PT. MM covers an area of more than 28,000 ha, the staff may guide the auditor to the river area where they have done the clearance to show their positive claim, meanwhile the other part of the river would not be observed by the auditor, due to the location and not enough time for the audit to inspect further. This condition might be happening in other case of certification.

Unsurprisingly, the company may guide the auditor to their designated respondent who can give a positive impression on the company's performance. The schedule for auditors' field visits was clear to the company in advance, thus, they could prepare all documents, evidences and testimonials including the local stakeholders who may be the best targets for interviews. One of the members of KKPA who is quite affluent in economics received many phone calls and visits just to make sure that he would speak positively about this smallholder mechanism to improve his economic livelihood. During the interview the staff from PT. MM accompanied the auditor closely, so it would like indirectly intimidate to the local people to not volunteering such unexpected statements about the company.

It brings the researcher to the other point on who endures the costs for CSPO? Based on the guidance book of RSPO certification systems, all expenses are paid by the parent company who pursued certification. The assessment may be biased and not be able to avoid the subjectivity from the certification body. There is no verification from other parties such as NGOs or the government to make sure of the reliability and validity of the assessment. Furthermore, the roles of the government and NGOs are absent during the process. All has been set up by the company to fulfil the check list and criteria of the RSPO.

### ***5.5.2 RSPO and its sustainability standard***

RSPO P&C is not strict enough to cover all problems associated with palm oil production. As indicated by Laurence et al (2010:378) RSPO has yet to promote a blanket ban on forest destruction. The standard certification RSPO is more emphasizing on better management practices which are supported by documentation, while the documentation may be manipulated under the condition of weak governance and regulation in Indonesia. As indicated by Dauvergne and Neville (2010:654) that voluntary corporate policies have little influence to promote social and environmental responsibility offset the lack of regulatory oversight.

The RPSO P&C still creates the possibility for the company to get minimum sustainability if they cannot achieve the target. Having said that, this RPSO certification still gives loose space for the company for not getting maximum targets of RPSO P&C; the minimum sustainability is only taken as a note and will be verified in the Annual Surveillance assessment (ASA).

Furthermore, the process of verification of non-conformance has passed without any significant problems. As mentioned in chapter 3 about the process of certification, the assessment report from the auditor is published in the RSPO website to get any verification of non-conformance from the stakeholders. In the case of PT. MM, this process flowed smoothly, just because nobody will read this report. It was only for those who are interested in this report; even the local NGOs and government did not read this assessment report. Actually, the researcher would say that, local people can make use of the RPSO P&C to defend their rights and complaints during the public conformation. However, their incapability to use computers and the internet and their location makes them disconnected from the real world. Also,

assistance from Local NGOs to send complaint letters over PT. MM activity to RSPO became ineffective after the company was awarded certification. If NGOs or the local government read on the violence against RSPO principles in assessment report, they could have raised this issue and posted to the RSPO executive, thus making this a priority to be addressed.

### **5.3 Can sustainable palm oil be sustainable?**

There is no general consensus on what makes palm oil sustainable RSPO; sustainable palm oil is defined indirectly as production palm oil without creating negative social and environmental side effects (Rietberg 2011). From that frame, sustainable palm oil has been transcribed into some indicators which are transcribed in 8 criteria and 39 principles. The empirical case study in the field found that those criteria had positioned the palm oil company as 'a centre' and fails to address the complex issue in the rural area which is intertwined with political power of state and company. It can be understood because RSPO has self-consciously organized by industry sector and at the same time all decisions are taken by consensus and voting, which is apparently won by the industry group.

Highlighting state-society relations, the absence of representation of government and civil society groups has little influence to address crosscutting issues of the agrarian state-society relation in the palm oil context as coined by Dauvergne and Neville (2010). An innovative Initiative, like HCV for new planting in RSPO standards, is not legally secure in Indonesian law which could potentially be used to strengthen HCV protection (Colchester et al 2009:4). Thus, the initiative of FPIC in RSPO standard as practical means to respect local people's right become very weak because there is no legal requirement in the national law in Indonesia. As explained by Colchester et al (2006) in chapter 3, existing national law which aims at protecting the right of people and local communities fail to recognize customary rights. Hence negotiation between corporation and government without any prior, consent, and informed process to the local people and partially decided by local authorities.

Further findings add cautionary notes that sustainable palm oil is a new policy agenda which is a strong political issue. Sustainability cannot be achieved if the only focus is on changing behaviour in local or national level without linking it with international trade (Perkins 1998:48 in Keil et.al 1998). Firstly, RSPO certification is inadequately challenging palm oil development. Increasing demand of palm oil in the global market is continuously reinforcing production in the national level for outside markets and likely to accelerate deforestation and exacerbate ecosystem and vulnerable people. It means that sustainability should be mutually reinforcing both from producer and consumers pattern along the commodity chain. Secondly, RSPO is faced with weak market demand. Green palm oil is only required by European market, which is its number is relatively small compared to markets for CPO in India and China which show little interest purchasing certified products. As a result there is no restriction for 'unsustainable' practices of palm oil production for companies who sell their products to non-European markets.

So to who does sustainability become a more contested issue. For the majority business players who sit in RSPO, they can say the compliance of P&C RPSO is the standards to call for sustainability in palm oil. Different perspectives from local people reveal that the sustainability of palm oil as RPSO did not give significant changes on their local economy livelihood and environment. Even to a broad extent, this scheme has created a new class formation which excludes independent farmers from the framework of sustainable palm oil. In study case of PT. MM, since this company took segregated supply chain (full certification), PT. MM limits reject purchasing FFB from independent farmers. So, independent farmer sell their FFB to intermediaries under the normal market price.

But is the 'Sustainable Palm Oil future' necessarily so negative? The researcher would argue that the RSPO initiative to regulate palm oil business in commodity chain considerably opens some windows of opportunity to change the future path way of palm oil management, including intervention across the world. In 2011, both Malaysia and Indonesia responded positively to the RSPO initiative to strengthen mandatory national standards of Sustainable Palm oil called MSPO (Malaysia Sustainable Palm Oil) and ISPO (Indonesia Sustainable Palm Oil). The ministry of agriculture Indonesia, Suswono, points out that ISPO is designed to make palm oil production sustainable in compliance with Indonesia laws and regulations in response to the critics of international environmental NGOs for allegations of weak governments to handle deforestation created by several major palm oil producers (Jakarta post 2010). In that sense, the voluntary standard of RSPO is directly shaping the national policy to complete the voluntary standards of RSPO certification through regulation and law.

While in the international global market, RSPO is still working on how to support domestic awareness raising and demand for sustainable palm oil. Additionally, Demon Bangun, a member of RSPO executive board argue that thought Europe and US market bought only 8 to 10% of Indonesia's palm oil, the biggest consumers are notably from Asia such as India, China and Pakistan and cannot simply ignore RSPO and the principles of sustainability it promotes, because the consumers product from China and India may eventually find it is extremely difficult to enter developed countries if their products contain uncertified palm oil (Jakarta Post 2010).

## Chapter 6 Conclusion

As set out in this paper, the aim of this study is to understand how the implementation of RSPO P&C initiative plays on the field level, using the PT. MM case study, in order to get a clear picture of the facts in the field and the claim from the company against its performance.

This study shows that despite some unsustainable practices of the palm oil company, the label of green label still can be labelled on the products. This finding confirms the first assumption formulated in this study, which said that the RSPO P&C has been a mainstream of sustainable palm oil industry which is accepted worldwide; in practice, green labelling is only scaling up the interest of businesses to be “fair palm oil” and save capitalist from itself rather than address the social and environment problems. In other words, the discussion on sustainable palm oil only refers to internal performance of the company to rectify its reputation and maintain public trust.

RSPO P&C fails to respond to the multitude local conflicts such as land conflicts, working conditions and conditions of peasant smallholders. RSPO standards in economic viability is inadequately addressing poverty issues in rural areas, this standards only focus on company interests to ensure more profit in the future by developing quality and quantity palm oil. In addition, this model has failed to ameliorate conditions of labour and smallholder farmers. Instead, smallholders remain subordinate in commodity markets.

Meanwhile, the nature of RSPO P&C legalizes company to continue expanding its business and improve production as long as the company implemented better management practice. The development of palm oil is still difficult to challenge.

Despite all the unsustainable practices, some extended impacts which are not covered in the RPSO P&C, the researcher would argue that the implementation of RPSO P&C still have opportunities for companies to rectify their behaviour by altering management practice in the palm oil Industry, especially for the countries which have poor implementation of regulations. The market completion and the prospects of palm oil in the future make the business player follow the mainstream of green development and environmentalist market demand. For these reasons, companies are forced to fix their management or otherwise risk being excluded from the competitive market.

It brings the researcher to the last point that national policy remains essential to enforce implementation of RSPO standards at the national level. The establishment of national certification such as ISPO and MPSO give a new challenge for governments to control business performance according to the national rules and regulations. The major question that can be used for further research is ‘do we really need double palm oil certification?’ While the consumers of EU and US only receive RSPO certification? If yes, does it only put so much cost burden to the producer country? And how long can the RSPO initiatives persist if the demand for certification of palm oil remains low in global market?



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# Appendices

## Appendix 1. RSPO's 8 Principles & 39 Criteria (for Oil Palm Growers and Millers)

| <b>Principle 1 : Commitment to Transparency</b>                               |   |
|---|---|
| Criterion 1.1   | Oil palm growers and millers provide adequate information to other stakeholders on environmental, social, and legal issues relevant to RSPO criteria, in appropriate languages and forms, to allow for effective participation in decision-making |
| Criterion 1.2   | Management documents are publicly available, except where this is prevented by commercial confidentiality or where disclosure of information would result in negative environmental or social outcomes  |
| <b>Principle 2 : Compliance with applicable laws and regulations</b>          |   |
| Criterion 2.1   | There is compliance with all applicable local, national and ratified international laws and regulations   |
| <b>Criterion 2.2</b>  | The right to use the land can be demonstrated and is not legitimately contested by local community with demonstrable rights   |
| <b>Criterion 2.3</b>  | Use of the land for oil palm does not diminish the legal rights, or customary rights, of other users, without their free, prior and informed consent  |
| <b>Principle 3 : Commitment to Long-term economic and financial viability</b> |   |
| Criterion 3.1   | There is an implemented management plan that aims to achieve long-term economic and financial viability   |
| <b>Principle 4: Use of appropriate best practices by growers and mills</b>    |   |
| Criterion 4.1   | Operating procedures are appropriately documented and consistently implemented and monitored  |
| Criterion 4.2   | Practices maintain soil fertility at, or where possible improve soil fertility to, a level that ensures optimal and sustained yield   |
| Criterion 4.3   | Practices minimize and control erosion and degradation of soils   |
| Criterion 4.4   | Practices maintain the quality and availability of surface and ground water   |
| Criterion 4.5   | Pests, diseases, weeds and invasive introduced species are effectively managed whilst chemical use is optimised through using appropriate Integrated Pest Management (IPM) techniques   |

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| Criterion 4.6  | Agrochemicals are used in a way that does not endanger health or the environment. There is no prophylactic use of pesticides, except in specific situations identified in national Best Practice guidelines. Where agrochemicals are used that are categorized as World Health Organization Type 1A or 1B, or are listed by the Stockholm or Rotterdam Conventions, growers are actively seeking to identify alternatives, and this is documented. |
| Criterion 4.7  | An Occupational health and safety plan is documented, effectively communicated and implemented.  |
| Criterion 4.8  | All staff, workers, smallholders and contractors are appropriately trained.  |
| <b>Principle 5: Environmental responsibility and conservation of natural resources and biodiversity</b>                      |  |
| Criterion 5.1  | Aspects of plantation and mill management, including replanting, that have environmental impacts are identified, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement.  |
| Criterion 5.2  | The status of rare, threatened or endangered species and high conservation value habitats, if any, that exist in the plantation or that could be affected by plantation or mill management, shall be identified and their conservation taken into account in management plans and operations.  |
| Criterion 5.3  | Waste is reduced, recycled, re-used and disposed of in an environmentally and socially responsible manner.   |
| Criterion 5.4  | Efficiency of energy use and use of renewable energy is maximized.   |
| Criterion 5.5  | Use of fire for waste disposal and for preparing land for replanting is avoided except in specific situations, as identified in the ASEAN guidelines or other regional best practice.  |
| Criterion 5.6  | Plans to reduce pollution and emissions, including greenhouse gases, are developed, implemented and monitored.   |
| <b>Principle 6: Responsible consideration of employees and of individuals and communities affected by growers and mills.</b> |  |
| Criterion 6.1  | Aspects of plantation and mill management, including replanting, that have social impacts are identified in a participatory way, and plans to mitigate the negative impacts and promote the positive ones are made, implemented and monitored, to demonstrate continuous improvement.  |
| Criterion 6.2  | There are open and transparent methods for communication and consultation between growers and/or mills, local communities  |

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|  | and other affected or interested parties.  |
| Criterion 6.3  | There is a mutually agreed and documented system for dealing with complaints and grievances, which is implemented and accepted by all parties.   |
| Criterion 6.4  | Any negotiations concerning compensation for loss of legal or customary rights are dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions.  |
| Criterion 6.5  | Pay and conditions for employees and for employees of contractors are always meet at least legal or industry minimum standards and are sufficient to provide decent living wages.  |
| Criterion 6.6  | The employer respects the right of all personnel to form and join trade unions of their choice and to bargain collectively. Where the right to freedom of association and collective bargaining are restricted under law, the employer facilitates parallel means of independent and free association and bargaining for all such personnel. |
| Criterion 6.7  | Child labour is not used. Children are not exposed to hazardous working conditions. Work by children is acceptable on family farms, under adult supervision, and when not interfering with education programmes. Children are not exposed to hazardous working conditions.   |
| Criterion 6.8  | Any forms of discrimination based on race, caste, national origin, religion, disability, gender, sexual orientation, union membership, political affiliation, or age is prohibited.  |
| Criterion 6.9  | A policy to prevent sexual harassment and all other forms of violence against women and to protect their reproductive rights is developed and applied.   |
| Criterion 6.10   | Growers and mills deal fairly and transparently with smallholders and other local businesses   |
| Criterion 6.11   | Growers and mills contribute to local development wherever appropriate   |
| <b>Principle 7: Responsible development of new plantings</b> |  |
| Criterion 7.1  | A comprehensive and participatory independent social and environmental impact assessment is undertaken prior to establishing new plantings or operations, or expanding existing ones, and the results incorporated into planning, management and operations.   |
| Criterion 7.2  | Soil surveys and topographic information are used for site planning in the establishment of new plantings, and the results are incorporated into plans and operations.   |

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| Criterion 7.3  | New plantings since November 2005, have not replaced primary forest or any area required to maintain or enhance one or more High Conservation Values  |
| Criterion 7.4  | Extensive planting on steep terrain, and/or on marginal and fragile soils, is avoided   |
| Criterion 7.5  | No new plantings are established on local peoples' land without their free, prior and informed consent, dealt with through a documented system that enables indigenous peoples, local communities and other stakeholders to express their views through their own representative institutions |
| Criterion 7.6  | Local people are compensated for any agreed land acquisitions and relinquishment of rights, subject to their free, prior and informed consent and negotiated agreements   |
| Criterion 7.7  | Use of fire in the preparation of new plantings is avoided other than in specific situations, as identified in the ASEAN guidelines or other regional best practice.  |
| <b>Principle 8: Commitment to continual improvement in key areas of activity</b> |   |
| Criterion 8.1  | Growers and millers regularly monitor and review their activities and develop and implement action plans that allow demonstrable continual improvement in key operations  |

Source : RSPO Certification System, accessed on 12 October 2011

<http://www.rspo.org/?q=page/807>

Appendix 2 : Complaint letters to the President of RSPO

**MASYARAKAT DUSUN TAMBUN**  
**KELURAHAN PANGKALAN LESUNG KEC. PANGKALAN LESUNG**  
**KAB. PELALAWAN PROV RIAU**

---

Kepada YTH :

**PRESIDEN RSPO**  
Suite a-06-04. Plaza mont kiara 2  
Jalan Kiara 50480 Kuala Lumpur  
Malaysia

Dengan Hormat,

Semoga Bapak selalu dalam keadaan sehat wal'afiat dan selalu dalam lindungan Allah SWT, serta sukses dalam menjalankan aktifitas sehari-hari.

Dusun Tambun kelurahan Pangkalan Lesung kecamatan Pangkalan Lesung Kabupaten Pelalawan Provinsi Riau telah ada sejak 1917, hal itu diketahui dari Batin Kiamat merupakan salah satu pejabat dari gelar Batin Tua Napuh. Dusun Tambun secara keseluruhan merupakan wilayah adat Batin Tua Napuh.

Semenjak PT. Musim Mas mulai beroperasi di dusun Tambun pada tahun 1996 sampai sekarang, secara langsung Dusun Tambun berada di dalam HGU PT Musim Mas dan menimbulkan permasalahan dengan masyarakat dusun Tambun.

Berkenaan dengan permasalahan yang ada di dusun Tambun Kelurahan Pangkalan Lesung Kecamatan Pangkalan Lesung Kabupaten Pelalawan terhadap PT. Musim Mas yang sudah berlangsung dari tahun 1996 sampai sekarang, dengan ini kami masyarakat dusun Tambun meminta kepada Presiden RSPO supaya dapat menindaklanjuti permasalahan dusun Tambun dengan pihak PT. Musim Mas. Adapun permasalahan pada saat ini adalah :

1. Pada saat PT. Musim Mas membuka lahan pada tahun 1996 tidak pernah mengadakan perundingan dengan masyarakat dusun Tambun
2. Mulai tahun 1996 sampai sekarang, tanah perkebunan masyarakat dan tanah perumahan masyarakat dusun Tambun tidak bisa disertifikatkan.
3. Kami masyarakat dusun Tambun yang berdampingan langsung dengan HGU PT. Musim Mas dan kami terkena dampak langsung operasional PT. Musim Mas kurang mendapatkan bantuan program pemberdayaan masyarakat dari PT. Musim Mas.
4. Sungai Napuh yang berada di wilayah dusun Tambun semenjak adanya PT. Musim Mas sudah rusak dan tercemar yang mengakibatkan mata pencarian masyarakat nelayan sangat berkurang.

Dengan ini kami menuntut pertanggungjawaban pihak PT. Musim Mas yang telah merugikan masyarakat dusun Tambun, adapun tuntutan kami ini adalah :

1. Supaya hak-hak atas tanah perkebunan dan tanah perumahan kami tidak dibatasi oleh PT. Musim Mas dan dikeluarkan dari HGU PT. Musim Mas

MASYARAKAT DUSUN TAMBUN  
KELURAHAN PANGKALAN LESUNG KEC. PANGKALAN LESUNG  
KAB. PELALAWAN PROV RIAU

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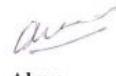
2. PT. Musim Mas supaya membuatkan kami akses jalan berkelanjutan, tempat ibadah, infrastruktur umum lainnya.
3. Sungai sebagai sumber mata pencarian masyarakat dusun Tambun sudah tidak menghasilkan lagi akibat pencemaran dari operasional PT. Musim Mas, kami meminta kepada PT. Musim Mas supaya memberikan sumber ekonomi alternatif sebagai pengganti sumber ekonomi masyarakat.

Tuntutan kami ini berdasarkan kriteria-kriteria RSPO yang kami ketahui PT. Musim Mas telah melakukan pelanggaran yang ada didalam kriteria RSPO pada point 2.2 ; 2.3 ; 4.4 ; 6.4 ; 7.5 dan 7.6

Demikianlah surat ini kami sampaikan dengan harapan sebesar-besarnya agar Bapak dapat menyelesaikan permasalahan kami ini, atas perhatian Bapak kami ucapan terima kasih.

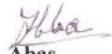
**Dusun Tambun, 19 Juni 2009**

An Masyarakat Dusun Tambun



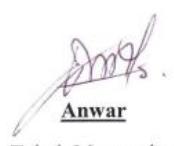
**Akur**

Tokoh Masyarakat



**Abas**

Tokoh Masyarakat



**Anwar**

Tokoh Masyarakat



**Herman**

Tokoh Masyarakat



MASYARAKAT DUSUN TAMBUN  
KELURAHAN PANGKALAN LESUNG KEC. PANGKALAN LESUNG  
KAB. PELALAWAN PROV RIAU

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Tembusan :

1. RSPO Indonesian Liaision Office (RILO) di Jakarta
2. Departemen Perkebunan RI di Jakarta
3. Sawit watch di Bogor
4. Gubernur Riau di Pekanbaru
5. Dinas Perkebunan Provinsi Riau di Pekanbaru
6. Dinas Kehutanan Provinsi Riau di Pekanbaru
7. Bupati Pelalawan di Pangkalan Kerinci
8. Dinas Kehutanan Kabupaten Pelalawan di Pangkalan Kerinci
9. Dinas Perkebunan Kabupaten Pelalawan di Pangkalan Kerinci
10. Scale Up di Pekanbaru
11. Arsip

Sources : Scale Up NGO, accessed on 10 July 2011, availble  
<[http://www.scaleup.or.id/pengalaman-fpicrspo/Dusun%20Tambun\\_Pelalawan\\_Riau.pdf](http://www.scaleup.or.id/pengalaman-fpicrspo/Dusun%20Tambun_Pelalawan_Riau.pdf)>



## PEMANGKU ADAT BATIN TUA NAPUH PETALANGAN KABUPATEN PELALAWAN RIAU

Nomor : 02. KPTS.BTN/VI/2009 Pangkalan Lesung, 18 Juni 2009

Lampiran : 2 (dua) lembar

Hal : Pengaduan

Kepada YTH :

**PRESIDEN RSPO**  
Suite a-06-04. Plaza mont kiara 2  
Jalan Kiara 50480 Kuala Lumpur  
Malaysia

Dengan Hormat,

Semoga Bapak dalam keadaan sehat wal'afiat dan selalu sukses dalam menjalankan aktifitas sehari-hari.

Menurut informasi yang kami dapat, bahwasanya PT. Musim Mas yang berada Kabupaten Pelalawan Provinsi Riau Indonesia adalah perusahaan yang sudah mendapat sertifikat RSPO internasional. Hingga saat ini kami masyarakat Adat dibawah naungan Batin Tua Napuh yang memiliki tanah hutan Adat dari keturunan nenek moyang kami yang berada di sekitar wilayah operasional PT. Musim Mas masih memiliki permasalahan dengan PT. Musim Mas.

Permasalahan antara anak kemenakan Batin Tua Napuh dengan PT. Musim Mas sudah berlangsung semenjak Tahun 1994 hingga saat ini,

Adapun permasalahannya adalah :

1. PT. Musim Mas dalam melakukan pembukaan lahan untuk perkebunan kelapa sawit pada tahun 1994 tanpa melalui persetujuan dari anak kemenakan dan seluruh masyarakat adat Batin Tua Napuh yang berada di kecamatan Pangkalan Lesung. (FPIC dalam RSPO tidak dilakukan).
2. PT. Musim Mas dalam melakukan Pembukaan lahan tidak menjaga sepadan sungai Batang Napuh, sungai Mengkarai, sungai Sinduan, sungai Pelintai, sungai Pantan, Sungai Tanjung Beringin, Sungai Bangkar Kulim, ujung sungai Payo Atap. Secara keseluruhan sungai tersebut berada di hutan adat batin Tua napuh dan didalam HGU PT. Musim Mas yang mengakibatkan rusak dan hilangnya sumber mata pencarian mayarakat nelayan kelurahan Pangkalan Lesung.
3. Hilangnya makam-makam tua masyarakat yang berada di dalam HGU PT. Musim Mas di dusun Bankar Kulim dan dusun Pematang Payo Atap (bekas kampung lama) karena digusur untuk dijadikan perkebunan sawit PT. Musim Mas.
4. Adanya penyerobotan ladang dan kebun karet alam milik 9 Kepala Keluarga seluas 114 Ha yang berada di Pematang Barau saat ini di wariskan kepada Bahar (umur 44 tahun) anak kemenakan dari suku



## PEMANGKU ADAT BATIN TUA NAPUH PETALANGAN KABUPATEN PELALAWAN RIAU

piliang godang. Sampai saat ini tidak pernah mendapatkan ganti rugi dari PT. Musim Mas

Kami sebagai masyarakat adat Batin Tua Napuh melihat PT. Musim Mas telah melakukan pelanggaran yang ada didalam kriteria RSPO pada point 2.2 ; 2.3 ; 4.4 ; 6.4 ; 7.5 dan 7.6

Demikianlah surat ini kami sampaikan dengan harapan agar Bapak dapat menyelesaikan permasalahan kami ini, atas perhatian Bapak kami ucapan terima kasih.

Hormat kami,

Tim Penyelamat Hutan Tanah Ulayat

Masyarakat Hukum Adat Batin Tua Napuh

  
Syaidina Ali

Ketua

  
Nurdin

Sekretaris

Mengetahui,



  
Bujang Badrun  
Pelindung Batin Tua Napuh

Tembusan :

1. Departemen Perkebunan RI di Jakarta
2. Gubernur Riau di Pekanbaru
3. Dinas Perkebunan Provinsi Riau di Pekanbaru
4. Dinas Kehutanan Provinsi Riau di Pekanbaru
5. Bupati Pelalawan di Pangkalan Kerinci
6. RSPO Indonesian Liaision Office (RILO)
7. Sawit watch di Bogor
8. Scale Up di Pekanbaru

Sources : Documentation of Scale Up NGO



**PEMERINTAH KABUPATEN PELALAWAN  
KECAMATAN PANGKALAN KURAS  
KEPALA DESA TANJUNG BERINGIN**

Nomor : 013-VI/2009

Tanjung Beringin , 20 Juni 2009

Lampiran :

Hal : permohonan Penyelesaian Masalah

Kepada YTH :

**PRESIDEN RSPO**  
Suite a-06-04. Plaza mont kiara 2  
Jalan Kiara 50480 Kuala Lumpur  
Malaysia

Dengan Hormat,

Semoga Bapak dalam keadaan sehat wal'afiat dan selalu sukses dalam menjalankan aktifitas sehari-hari.

Keberadaan desa Tanjung Beringin sudah ada semenjak zaman penjajahan Belanda dan masih ada sampai sekarang, namun kondisi semenjak adanya PT. Musim Mas yang mulai beroperasi dari tahun 1992, Desa Tanjung Beringin menjadi desa yang berada didalam HGU PT. Musim Mas, masyarakat desa tanjung beringin mayoritas adalah masyarakat asli melayu dari keturunan Batin Tua Napuh.

PT. Musim Mas merupakan perusahaan kelapa sawit yang berada Kabupaten Pelalawan Provinsi Riau Indonesia. Informasi yang kami dapat, PT. Musim Mas adalah perusahaan yang sudah mendapat sertifikat kelapa sawit berkelanjutan dari lembaga RSPO. Namun hingga saat ini kami masyarakat desa Tanjung beringin yang berada di didalam wilayah operasional PT. Musim Mas masih memiliki permasalahan dengan PT. Musim Mas.

Permasalahan antara desa Tanjung Beringin dengan PT. Musim Mas adalah :

1. Pada saat awal pembukaan lahan di desa Tanjung Beringin pada tahun 1992 PT. Musim Mas tidak pernah melakukan perundingan dengan masyarakat dan tidak melalui persetujuan dari warga desa.
2. Program kemitraan KKPA yang dijanjikan pada tahun 1998 sebanyak 116 KK seluas 232 ha, namun yang terrealisasi hanya 102 Ha untuk 51 Kepala Keluarga saja. Alasan dari pihak PT. Musim Mas tidak ada lagi izin dari Bupati untuk penambahan kebun pola KKPA
3. Pada saat program dari Pemerintah Daerah Kabupaten akan dilakukan di desa Tanjung beringin selalu gagal dan mengalami kendala yang dikarenakan status desa dan wilayah desa yang berada di HGU PT. Musim Mas
4. Pada saat warga desa akan membawa hasil bumi yang akan di jual keluar selalu diperiksa di pos penjagaan milik PT. Musim Mas, jika tidak memiliki surat dari desa maka hasil bumi tersebut tidak bisa keluar dari pos penjagaan PT. Musim Mas
5. Lahan cadangan desa tidak ada yang dikarenakan sudah termasuk didalam HGU PT. Musim Mas
6. PT. Musim Mas melakukan penanaman sampai ke tepi sungai Napuh dan sungai Tanjung Beringin sehingga menyebabkan pada saat banjir masyarakat tidak bisa mencari ikan.



**PEMERINTAH KABUPATEN PELALAWAN  
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KEPALA DESA TANJUNG BERINGIN**

7. semenjak PT. Musim Mas mendapatkan sertifikasi RSPO, Usulan program pemberdayaan masyarakat desa kepada PT. Musim Mas kurang di tanggapi oleh pihak PT. Musim Mas
8. Sungai Paragaian yang ada di wilayah desa Tanjung Beringin sudah tercemar akibat limbah PT. Musim Mas sehingga menyebabkan hilangnya sumber mata pencarian masyarakat desa Tanjung Beringin.
9. Pada saat penggantian atas tanah warga yang termasuk di dalam HGU PT. Musim Mas ditentukan secara sepihak oleh PT. Musim Mas tanpa ada berunding dengan masyarakat.

Kami warga desa Tanjung Beringin merasakan adanya pelanggaran yang dilakukan oleh PT. Musim Mas yang ada didalam kriteria RSPO pada point 2.2 ; 2.3 ; 4.4 ; 6.4 ; 7.5 dan 7.6

Demikianlah surat ini kami sampaikan dengan harapan agar Bapak dapat menyelesaikan permasalahan kami ini, atas perhatian Bapak kami ucapan terima kasih.

Hormat kami,

Tokoh Masyarakat

Aurizal

Tokoh Masyarakat

Muhamadi

Kepala Desa

Tanjung Beringin

M. Taher

Sekretaris

Desa Tanjung Beringin

Sospan Situmorang

Ketua BPD

Desa tanjung Beringin

Wagian



**PEMERINTAH KABUPATEN PELALAWAN  
KECAMATAN PANGKALAN KURAS  
KEPALA DESA TANJUNG BERINGIN**

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**Tembusan :**

1. RSPO Indonesian Liaision Office (RILO) di Jakarta
2. Departemen Perkebunan RI di Jakarta
3. Departemen Kehutanan RI di Jakarta
4. Gubernur Riau di Pekanbaru
5. Dinas Perkebunan Provinsi Riau di Pekanbaru
6. Dinas Kehutanan Provinsi Riau di Pekanbaru
7. Bupati Pelalawan di Pangkalan Kerinci
8. Dinas Perkebunan Kab. Pelalawan di Pangkalan Kerinci
9. Dinas Kehutanan Kab. Pelalawan di Pangkalan Kerinci
10. Sawit watch di Bogor
11. Scale Up di Pekanbaru
12. Arsip

Sources : Scale Up NGO, accessed on 10 July 2011, available <  
[http://www.scaleup.or.id/pengalaman-fpicrspo/Desa%20Tanjung%20Beringin\\_Pelalawan\\_Riau\\_%20hal%201.pdf](http://www.scaleup.or.id/pengalaman-fpicrspo/Desa%20Tanjung%20Beringin_Pelalawan_Riau_%20hal%201.pdf)>

## **English Translation of Complaint letters :**

### **Tambun people to the RPSO president, Dated 19 June 2009**

Dear Sir,

As a matter of fact, ever since PT Musim Mas started its operations in Tambun in 1996, there have been many problems encountered by the local people. These problems are:

1. Since 1996, there were no consent and discussion with local people
2. Since 1996, Tambun people cannot get certification for their land asset as it has been included into Musim Mas' leaseholds.
3. Whilst Tambun area located in PT.Musim Mas's leaseholds concession, we are directly affected by the operation but there is no corporate social responsibility program from the company in response to the effect.
4. Napuh River as our water and livelihood sources was contaminated; consequently many people who depend on this river lost their livelihood as fishermen.

We herewith demand for PT Musim Mas responsibility among others::

1. To free our land from Musim Mas's leaseholds.
2. To build road access, prayer place, and other public infrastructures.
3. To create alternative livelihood after the pollution of Napuh river.

This claim is submitted based on RSPO criteria as an obligatory for PT Musim Mas. Nevertheless, Musim Mas has violated the criteria point 2.2, 2.3, 4.4, 7.5, and 7.6.

We hope you can facilitate us to resolve this problem. Thank you very much for your attention

Tambun hamlet, 19 June 2009

On behalf of Community in Tambun hamlet.

Akur, Abas, Anwar and Herman.

Translation letter:

**Pemangku Adat Batin Tua Napuh to the RPSO president, Dated 18 June 2009**

Dear Sir,

It is informed that Musim Mas which is located in Pelalawan District, Riau Province, Indonesia was awarded RSPO certification. However, we are from the Customary group of Batin Tua Napuh remain having this long persistence problem with PT Musim Mas.

It was started in 1994 when there are conflicts related these issues :

1. When PT Musim operated its business in 1994, they did not follow the principle of FPIC (Free, Prior, Informed and consent) to local people.
2. Musim Mas cleared the area along the river of Napuh, Mengkarai River, Sinduan River, Pelintai River, Pantan Rier, Tanjung Beringin River, Bangkar Kulim River and Payo Atap River. All of these rivers are part of Batin Tua Napuh in the area of Musim Mas' leaseholds. This activity leads to destruction of ecosystem in the river and loss of source of livelihood for local people in Pangkalan Lesung sub district.
3. The activity of Musim Mas has destroyed the ancient grave yard for palm plantation in the area of Bankar Kulim and Pematang Payo Atap hamlet.
4. Musim mas has grabbed land belongs to 9 households in Pematang Barau. It was around 114 ha, and Musim Mas did not give any compensation for such conduct.

We are from the customary group of Batin Tua Napuh found that Musim Mas has violated the principle and criteria of RSPO specifically point 2.2. 2.3, 4.4, 6.4, 7.5, and 7.6.

We hope you can facilitate us to resolve this problem. Thank you very much for your attention

With Regards,

Rescue team of customary forest (Hutan Tanah Ulayat)

**The community of Batin Tua Napuh**

Syaidina Ali, Nurdin and Bujang Badrun.

**Tanjung Beringin Village to the RPSO president, Dated 20 June 2009**

Dear Sir,

Tanjung Beringin has been existed since the colonization era where the majority people are from Malay ethnics. Since Musim Mas started its business in 1992, Tanjung Beringin has been locked inside the leaseholds of Musim Mas.

PT Musim Mas is a palm oil company located in Pelalawan district, Riau Province. It is informed that this Company has obtained RSPO certification. However, for your information, we are the people from Tanjung Beringin still have long persistence problem with Musim Mas. Those problems will be explained further below :

1. When the company started its business in 1992, Musim Mas did not deliver any prior consent and dialogue with local people.
2. The schemed farmer such as KKPA which was pledged in 1998 for 116 household covering 232 hectares has not been fully implemented. 102 ha was established for 51 households only. The reason was that the Bupati (head of the district) did not give any permission to expand more KKPA schemes.
3. The development program from the government never reach Tanjung Beringin village, because our location is inside the plantation area of Musim Mas.
4. Every time when local people bring their commodities to be sold outside the village, the security checking will not allowed them to pass without any recommendation letter from the head of village. 5. We don't have any reserve land as the entire land is the area of Musim Mas.
6. Musim Mas plantation area has reached the bank of Napuh River and Tanjung Beringin River, it is now very difficult for local people to catch fish.
7. Since PT Musim Mas has been awarded the RSPO certification, the demand for development program is never responded by Musim Mas.
8. Pargaian River which is located in Tanjung Beringin village was polluted by the waste from the company, consequently it leads to the loss of livelihood sources for local people.
9. The land compensation is decided by Musim Mas, without any consultation and negotiation with local community.

We are from Tanjung Beringin community found that Musim Mas has violated the principle and criteria of RSPO, which is specifically point 2.2. 2.3, 4.4, 6.4, 7.5, and 7.6.

We hope you can facilitate us to resolve this problem. Thank you very much for your attention

On behalf of Tanjung Beringin Community,

Aurizal, Muhadi, M. Taher and Sospan Situmorang

