WAGENINGEN UNIVERSITY
PLANT SCIENCES

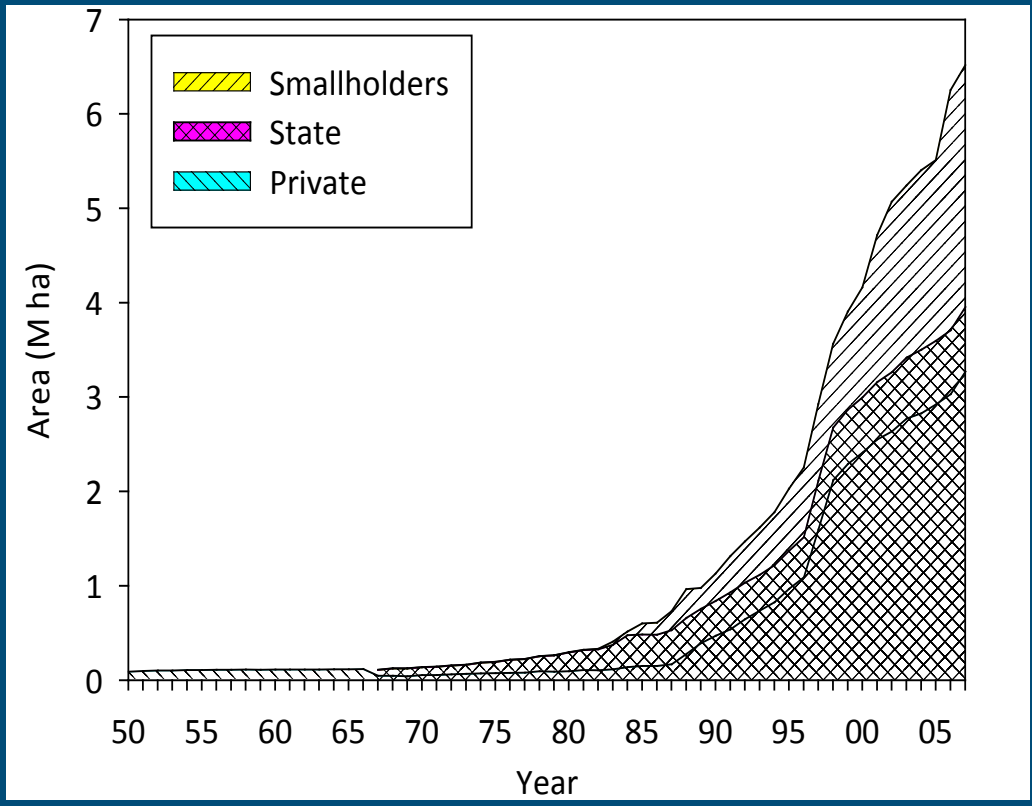
The NESP Ophir Project:
A smallholder success story from West Sumatra, Indonesia

By Idsert Jelsma




Relevance of research

- Increasing demand for commodities as palm oil (population and economic growth)
- Smallholders in Indonesia are a considerable source of FFB and account for about 40% of the area planted
- Smallholders frequently have low yields
- Potential decrease of competing claims on land
- Smallholders oil palm project can contribute to rural development



(Source: Badan Pusat Statistik 2008)

Location I


Sulu Sea
Malaysia
Kuala Lumpur
Singapore
Bandar Seri Begawan
Brunei
Celebes Sea
NESP Ophir project location
Indonesia
Banda Sea
Java Sea
Jakarta
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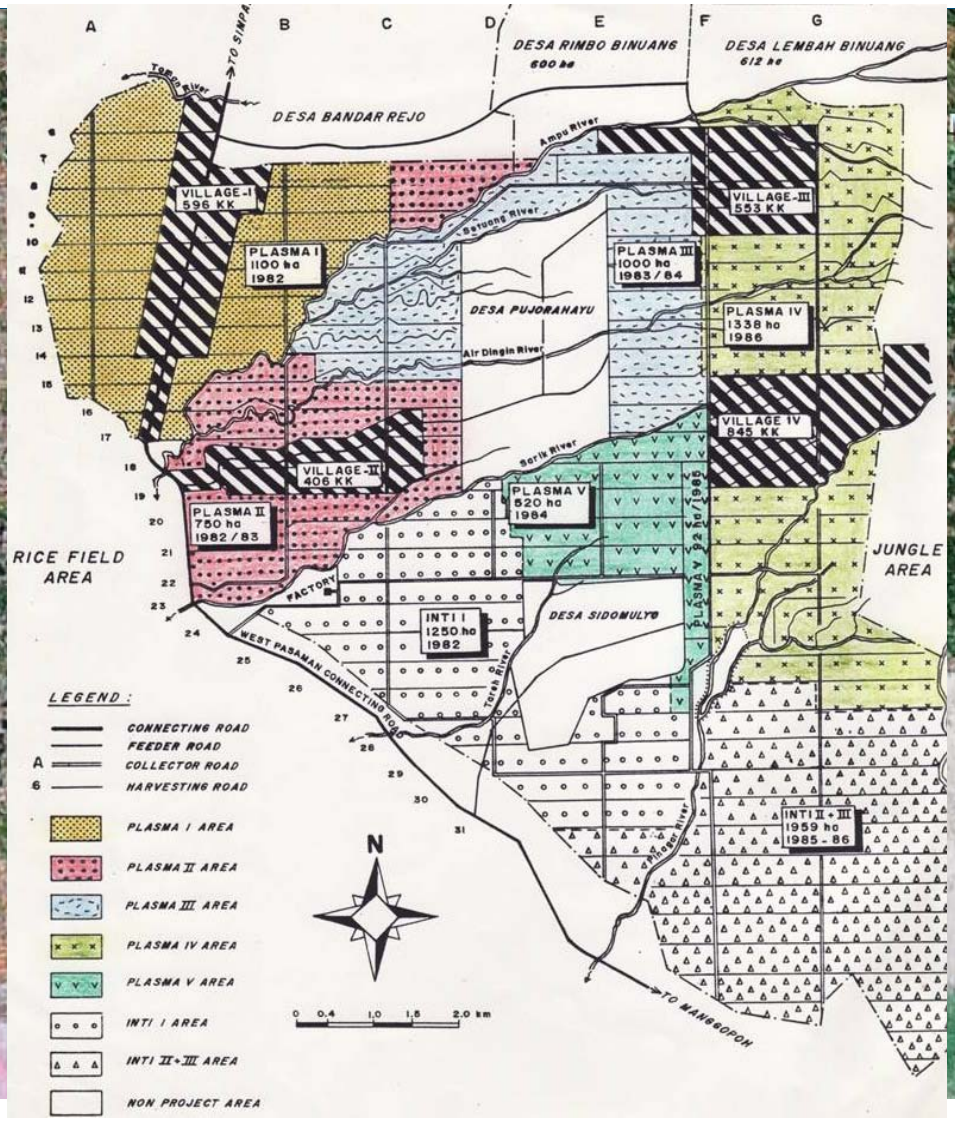
Location II


A
B
C
D
E
F
G
TO SINPA
DESA BANDAR REJO
DESA RIMBO BINUANG
600 ha
DESA LEMBAH BINUANG
612 ha
Torak River
Ampu River
Batuang River
Air Dingin River
Sorik River
VILLAGE-I
595 KK
PLASMA I
1100 ha
1982
VILLAGE-II
406 KK
PLASMA II
750 ha
1982 / 83
PLASMA III
1000 ha
1983 / 84
DESA PUJORAHAYU
PLASMA IV
1338 ha
1986
VILLAGE-III
553 KK
VILLAGE IV
845 KK
PLASMA V
520 ha
1984
PLASMA V 92 ha 1985
RICE FIELD
AREA
JUNGLE
AREA
FACTORY
INTI I
1250 ha
1982
DESA SIDOMULYO
WEST PASAMAN CONNECTING ROAD
INTI II + III
1959 ha
1985 - 86
TO MANGGOPOH
N
0 0.4 1.0 1.5 2.0 km
LEGEND :
CONNECTING ROAD
FEEDER ROAD
COLLECTOR ROAD
HARVESTING ROAD
PLASMA I AREA
PLASMA II AREA
PLASMA III AREA
PLASMA IV AREA
PLASMA V AREA
INTI I AREA
INTI II+III AREA
NON PROJECT AREA

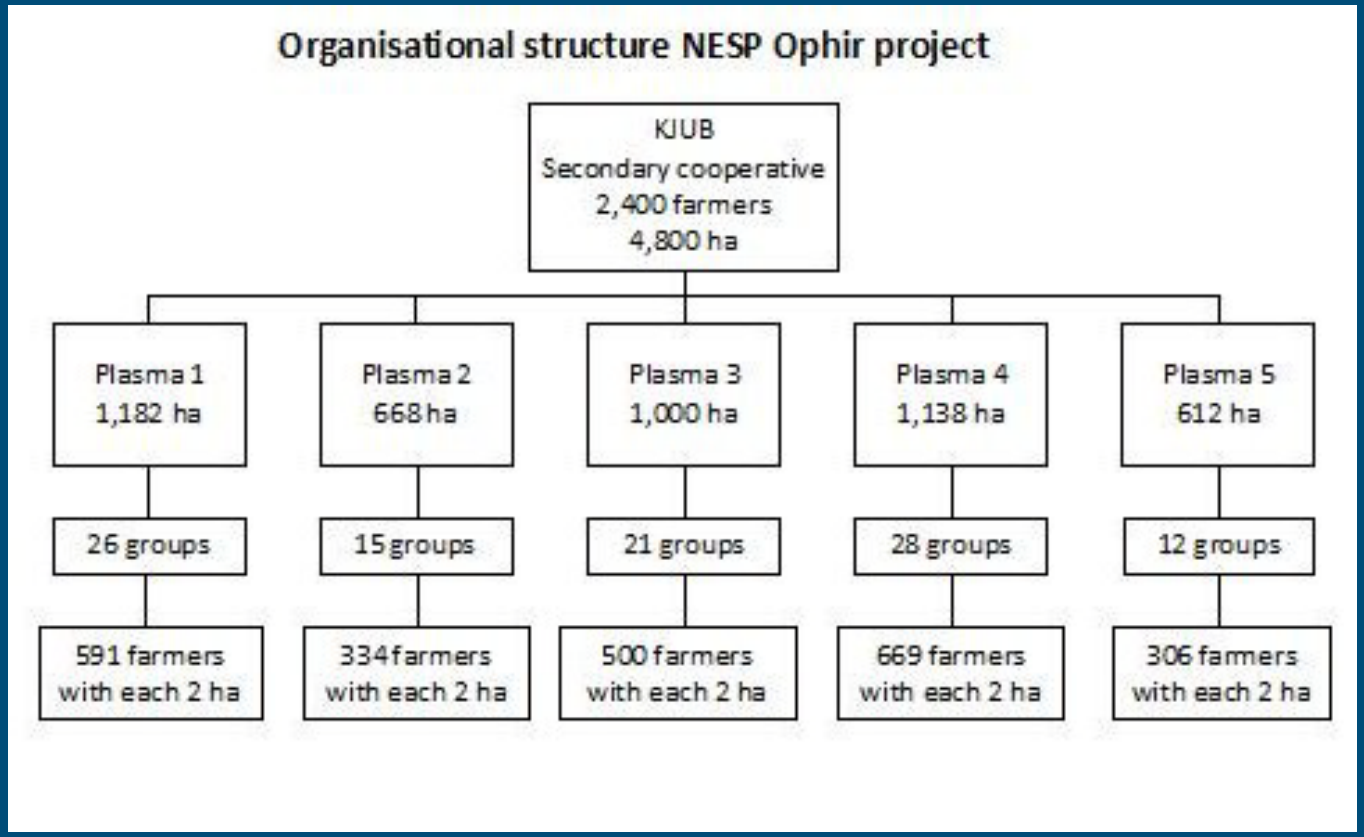

Mount Talamau

Institutional context of project

- Government Nucleus Estate Smallholder (NES) programmes

- Area Development Plan (ADP) in West Sumatra
  - BMZ and GOI collaboration in West Sumatra
  - Ophir NES**P** concept
    - Create self-reliant smallholders

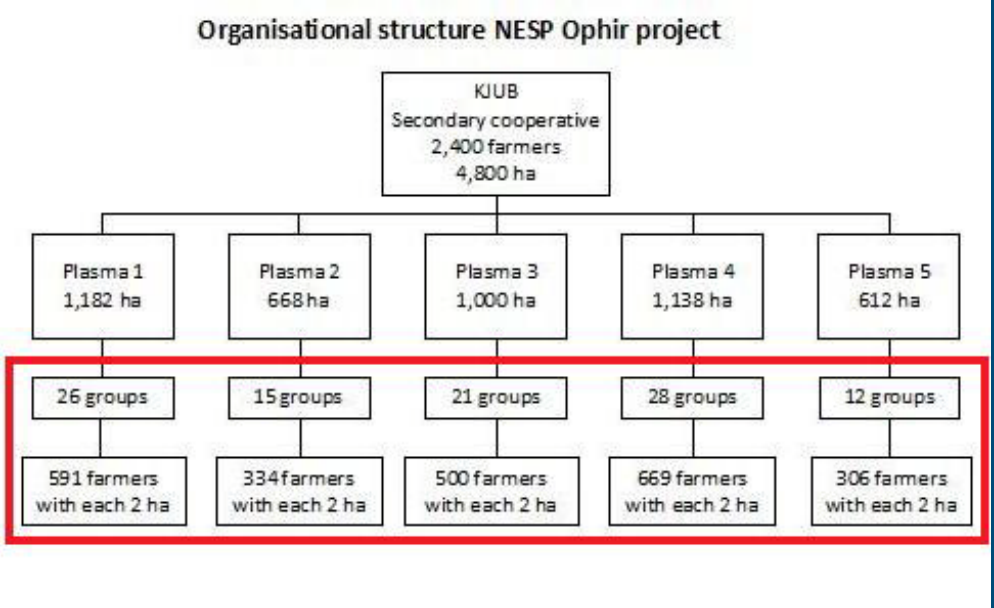
Organisational structures: Solidarity and Subsidiarity Principles



- Small entities build on Solidarity:
- Large entities provide Subsidiarity services:

Solidarity Principle

- Creation of *gemeinschaft* or community at group level
- Shared income
  - Peer pressure
  - Equal quality of produce
  - Social security
- Penalties (fines)
- Monthly meetings
  - Democratic management
  - Create or adapt regulations
  - Check management (transparency)
- Highest authority in project

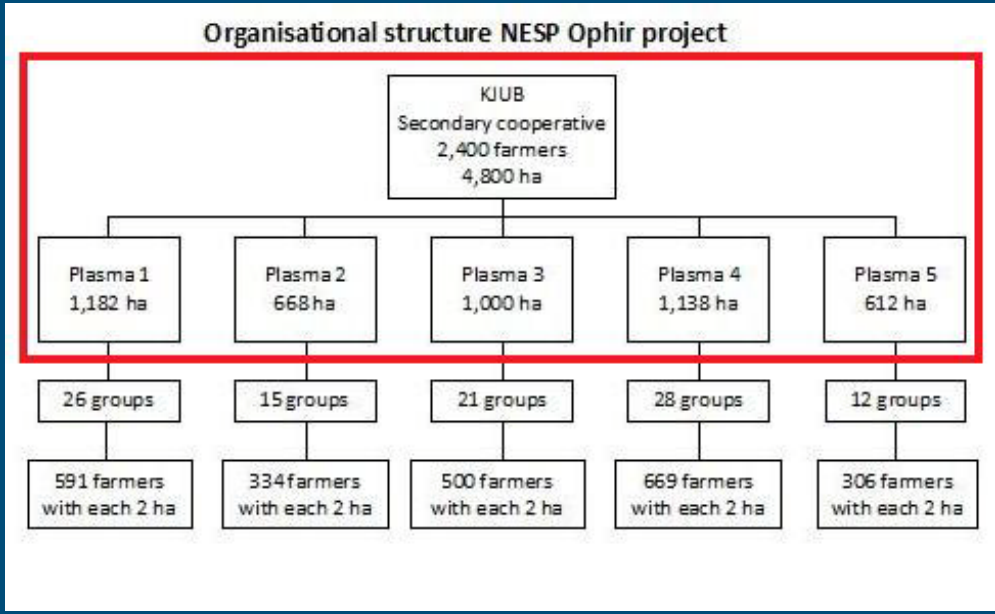


Subsidiarity Principle

- Organises activities that cannot be dealt with efficiently at group level:

Plasma

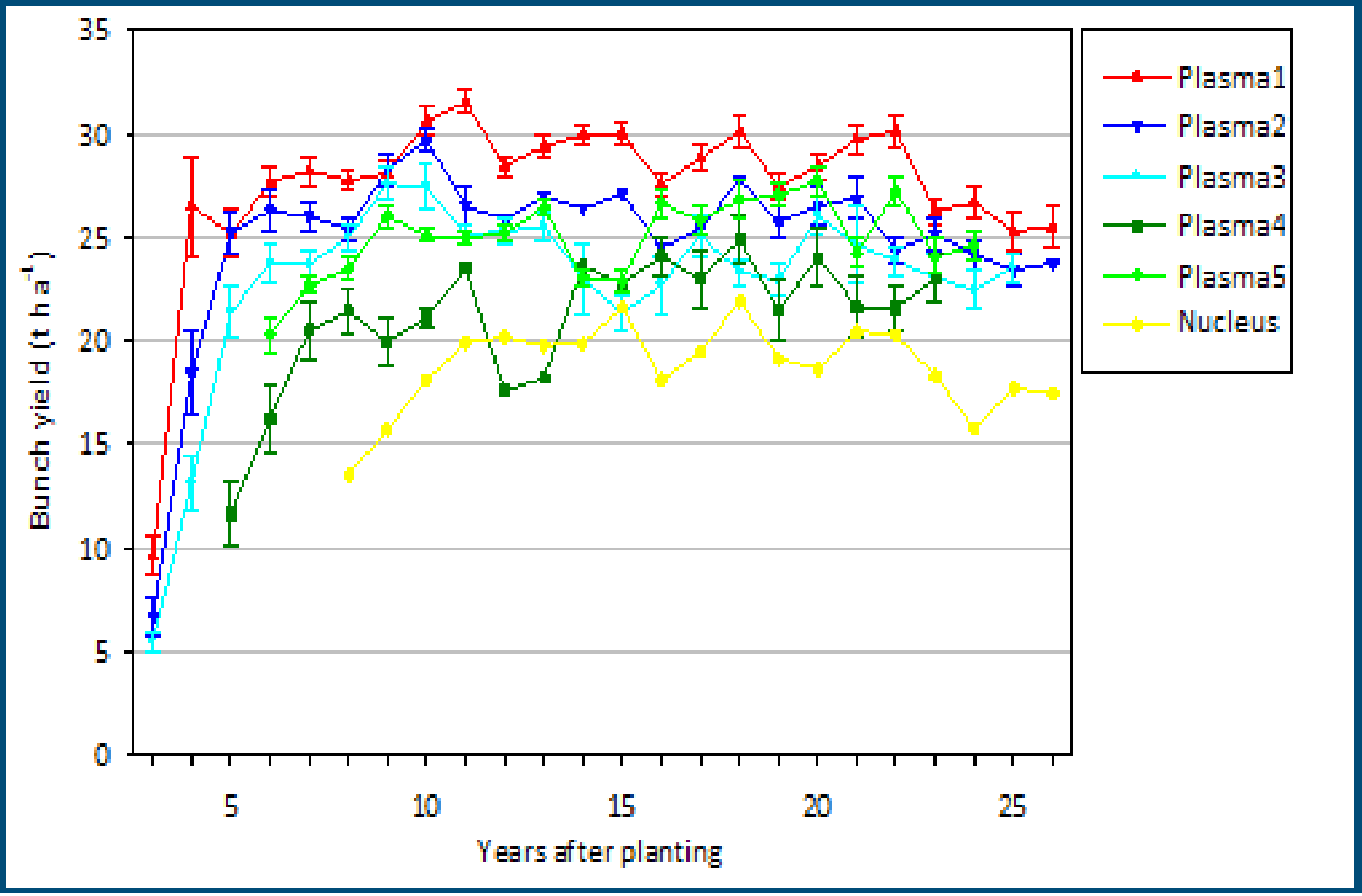
- Organize transport
- Road maintenance
- Provision of high quality production materials
- Pest and disease control
- Fertilizer procurement and distribution
- Provision of strategies, ideas on innovations and cohesion



KJUB

- Negotiating prices with Nucleus
- Payments to smallholders
- Representation of smallholders to third parties

Results: Oil palm yields over 27 years



(Source: smallholder organizations and nucleus estate)

Results: Ophir smallholder yields compared with plantations

Company	2004	2005	2006 (estimate)
Astra Agro Lestari	16.6	19	21
London Sumatra Indonesia	24.1	23.3	22
IOI Corp	23.9	27.6	26.9
Kuala Lumpur Kepong	21.6	22.9	23
Golden Hope Plantations	20.8	22.7	22.1
PPB Oil Palms	20.5	22.7	23.3
Wilmar International	20	18.2	21
NESP Ophir smallholders	**27.3**	**23.9**	**25.1**

Fruit bunch yields in leading listed plantation companies in Malaysia and Indonesia (Tiah, Loo et al. 2006 and own data)

Results: Credit repaid early

Plasma	1st plantings	1st harvest	Conversion (years)	Loan	Interest	Repayment completion		
						Planned	Actual	Years*
1	82	1985	3	3,295	928	2002	91/92	4-5
2	82/83	1986	3-4	2,133	690	2003	92	4
3	83/84	1987	3-4	3,147	1,095	2004	93/94	4-5
4	85/86	1991	6	6,543	2,480	2007	98	5-6
5	84	1989	5	3,194	519	2005	95	4-5

* Number of years to complete loan repayment excluding grace period.

Amounts in ‘000 of Indonesian Rupiah

(Source: GTZ 1995; KfW 2000 and own data)

Increased wealth

Film fragment on activities in Ophir

Threats to Ophir participatory management project

- Replanting
- Maintaining social cohesion
- Loss of focus on oil palm activities (single purpose vs. multi-purpose associations)
- Innovation

NESP Ophir approach versus other smallholder developments in West Pasaman

- Individual smallholders
  - Low yields due to lack of quality of planting materials
  - No pressure from other smallholders
  - Price takers

- Koperasi Kredit Primer Anggota (KKPA) schemes
  - Company supervision and little responsibility for smallholders
  - Frequently lower production compared to nucleus
  - Not really smallholder development

Sidestep: Smallholder sugarcane activities in Xinavane, Mozambique

Sugarcane revival in Mozambique

Xinavane, laboratory for smallholder sugarcane activities

Roles stakeholders:

- Company
  - Labour teams
- Government
- NGO's/ development agencies
- Smallholders/ Associations

Starting up phase but dangers of lacking investment in training of associations leading to passive smallholders and reducing smallholder participation to hire of land and labour.

Participatory outgrower model vs. frequent outgrower model

Participatory outgrower model (in Ophir)	Frequent private sector outgrower model (e.g. KKPA or Xinavane)
Strong focus on independent smallholder associations	Continuous company involvement in farmer associations
Considerable investment in smallholder training	Limited investment in smallholder training
High responsibility for smallholders and demand for transparency	Low responsibility for smallholders and less transparency
Committed smallholders	Less committed smallholders
Smallholders have considerable share in total plantation	Smallholders have limited share in total plantation
Equal partnership	Non equal partnerships

Conclusions

- Ophir case demonstrates that smallholders can maintain intensive oil palm
- Shared income across *kelompok* and creation of solidarity (*gemeinschaft*) stimulated smallholders to maintain high and uniform standards.
- Smallholders in Ophir use the advantages of standardized and professional management.
- Smallholder projects need external support in establishing self-reliant farmer groups.
- Although Ophir smallholders achieved self reliance, creation of long term strategies appears difficult.
- Less intensive smallholder involvement are possible but appears to undermine advantages smallholder production can achieve (commitment to high production and rural development).

Thank you for your attention.

Full Ophir report and film can be downloaded from:
http://www.foodorfuel.org/Biofuel_and_food/related_projects.html