

Diagnostic Study for Oil Palm Smallholders in Indonesia

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The objective of this study is to develop a diagnostic survey instrument capable of evaluating smallholder production systems at various locations in Indonesia. The survey instrument helps to design feasible investment strategies in sustainable smallholder production. Furthermore, this study is to contribute to the understanding of smallholders and their needs by collecting and analyzing data about the challenges and status of investments of oil palm smallholders in Indonesia.

In-depth analysis of the causes of the perceived under-investment on independent oil palm smallholder farms is lacking which has prevent promotion of investments in sustainable smallholder production.

The Diagnostic Survey Instrument was tested with 641 smallholders at various locations in Sumatra. Agronomic practices were found to be generally poor to medium, and the institutional environment was characterized by various constraints. Tied and independent smallholders were found to have a large potential to increase yields by improving agronomic practices. Tied smallholders were generally better off than independent smallholders but all were confronted by significant institutional constraints to realize this increased yield potential. The results of the survey confirmed the assumed underinvestment in the Indonesian smallholder oil palm sector.