
Indonesia: Exploring the past and future of oil palm

A research recently performed on oil palm plantations in Indonesia studies the past and future trends of the sector, reveals its effects on the country's economy, local communities and forests and proposes recommendations to this regard.

The rapid growth of the sector from 1967 to 1997 (planted areas increased 20-fold and crude palm oil production augmented at an average annual rate of 12%) can be considered a success from the point of view of conventional economy. Nevertheless, the author stresses that, "the rapid growth of the oil palm sub-sector has displaced local communities, resulted in social conflict, contributed to the devastation caused by the 1997/98 forest fires, and posed a significant threat to Indonesia's existing forest cover".

Due the economic crisis initiated in 1997, a slowdown in area expansion and palm oil production took place. The research mentions internal and external causes for this decline, as social unrest and the consequent withdrawal and withholding of foreign investment, credit access difficulties, an increase in production costs, the decline in the world price of crude palm oil, and the drought and fires promoted by the 1997/98 El Niño phenomenon. Nevertheless, as some of the above mentioned factors changed and others appeared -e.g. the availability of land cleared through the fires subsequent to the El Niño related forest fires, a predicted growing global demand for palm oil, and the cooperation established between Indonesian and Malaysian palm oil producers to push up the price of this product and regain their niche in the world market- there are signs that from 1999 on palm oil production in Indonesia will return to the previous pace of growth. Many companies increased their planting targets for 1999 and crude palm oil production was expected to increase about 12%.

It is not sure that the new Wahid-Soekarnoputri government will uphold the same policy of oil palm plantations' promotion implemented by the Suharto and Habibie regimes. Nevertheless, since obtaining external revenues is a priority for the government and palm oil is mainly exported, there is a high probability that this will happen. In such case, "unless there are fundamental changes in the way forest land is allocated in Indonesia, further expansion in the oil palm sub-sector will continue to pose a significant threat to Indonesia's forest cover" emphasises the author. Additionally, she proposes several recommendations in order to mitigate negative social and environmental effects of such development. The regionalization of concession granting according to the present situation of forests in the country, the consideration of environmental impacts by state owned companies, and the need to consult local communities before any project is implemented are some of the points to be highlighted.

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